



## SAPPI SOUTHERN AFRICA LIMITED

(Incorporated in the Republic of South Africa with limited liability under registration number 1951/003180/06)

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### ZAR5,000,000,000 Domestic Medium Term Note Programme

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On 22 June 2011, Sappi Southern Africa Limited (the **Issuer**) established a ZAR5,000,000,000 Domestic Medium Term Note Programme (the **Programme**) pursuant to a programme memorandum dated 22 June 2011 which was subsequently amended and restated on 13 September 2013 (together, the **Previous Programme Memoranda**). This amended and restated programme memorandum (**Programme Memorandum**) will apply to all Notes (as defined herein) issued under the Programme on or after the Programme Date (as defined herein) and will in respect of such Notes, supersede and replace the Previous Programme Memoranda in their entirety.

Under this Programme the Issuer may from time to time issue notes (the **Notes**), which expression shall include Senior Notes and Subordinated Notes (each as defined herein) denominated in any currency agreed by the Issuer and the relevant Dealer(s) (as defined herein) and further subject to all Applicable Laws (as defined herein) and, in the case of Notes listed on the Interest Rate Market of the JSE Limited (the **JSE**) or such other Financial Exchange(s) (as defined herein) as may be determined by the Issuer and the relevant authority, the Debt Listings Requirements (as defined herein) of the JSE or such other Financial Exchange(s), that are subject to the terms and conditions (the **Terms and Conditions**) contained in this Programme Memorandum. Any other terms and conditions not contained in the Terms and Conditions that are applicable to any Notes, replacing or modifying the Terms and Conditions, will be set forth in a pricing supplement (the **Applicable Pricing Supplement**).

Capitalised terms used in this Programme Memorandum are defined in the section of this Programme Memorandum headed "**Terms and Conditions of the Notes**", unless separately defined, and/or in relation to a Tranche of Notes, in the Applicable Pricing Supplement.

As at the Programme Date, the Programme Amount is ZAR5,000,000,000. This Programme Memorandum will apply to the Notes issued under the Programme in an aggregate outstanding Nominal Amount which will not exceed ZAR5,000,000,000 (or its equivalent in any other currencies) (including Notes issued under the Programme pursuant to the Previous Programme Memoranda) unless such amount is increased by the Issuer pursuant to the section of this Programme Memorandum headed "**General Description of the Programme**".

The Notes may comprise, without limitation, Fixed Rate Notes, Floating Rate Notes, Mixed Rate Notes, Index Linked Notes, Zero Coupon Notes and/or such combination of the foregoing Notes and/or such other type of Notes as may be determined by the Issuer and the relevant Dealer(s) and specified in the Applicable Pricing Supplement. Notes will be issued in individual Tranches which, together with other Tranches, may form a Series of Notes. A Tranche of Notes will be issued on, and subject to, the Terms and Conditions, as replaced, amended and/or supplemented by the terms and conditions of that Tranche of Notes set out in the Applicable Pricing Supplement.

This Programme Memorandum has been registered by the JSE. A Tranche of Notes may be listed on the Interest Rate Market of the JSE or on such other or additional Financial Exchange(s) as may be determined by the Issuer, subject to all Applicable Laws. Unlisted Notes may also be issued under the Programme but will not be regulated by the JSE. Claims against the JSE Debt Guarantee Fund Trust may only be made in respect of the trading of Notes listed on the Interest Rate Market of the JSE in accordance with the rules of the JSE Debt Guarantee Fund Trust. The holders of Notes that are not listed on the Interest Rate Market of the JSE will have no recourse against the JSE or the JSE Debt Guarantee Fund Trust. Unlisted Notes are not regulated by the JSE. A copy of the Applicable Pricing Supplement relating to a Tranche of Notes which is to be listed on the Interest Rate Market of the JSE will be delivered to the JSE and the CSD, before the Issue Date, and the Notes in that Tranche may be traded by or through members of the JSE from the date specified in the Applicable Pricing Supplement, in accordance with the Applicable Procedures. The settlement of trades on the JSE will take place in accordance with the electronic settlement procedures of the JSE and the CSD for all trades done through the JSE. The placement of a Tranche of unlisted Notes may (at the sole discretion of the Issuer) be reported through the JSE reporting system, in which event the settlement of trades in such Notes will take place in accordance with the electronic settlement procedures of the JSE and the CSD for all trades done through the JSE. The settlement and redemption procedures for a Tranche of Notes listed on any Financial Exchange (other than or in addition to the JSE) will be specified in the Applicable Pricing Supplement.

The Notes may be issued on a continuing basis and be placed by one or more of the Dealer(s) specified under the section headed "**Summary of the Programme**" and any additional Dealer(s) appointed under the Programme from time to time by the Issuer, which appointment may be for a specific issue or on an ongoing basis. References in this Programme Memorandum to the "**relevant Dealer**" shall, in the case of Notes being (or intended to be) placed by more than one Dealer, be to all Dealers agreeing to place such Notes.

As at the Programme Date, the Issuer is rated. The Programme is not rated but may, after the Programme Date, be rated by a Rating Agency on a national or international scale basis. A Tranche of Notes may also, on or before the Issue Date, be rated by a Rating Agency on a national or international scale basis. Unrated Tranches of Notes may also be issued. The Rating assigned to the Issuer and/or the Programme and/or the Notes, as the case may be, as well as the Rating Agency (ies) which assigned such Rating(s), will be specified in the Applicable Pricing Supplement.

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*Arranger and JSE Debt Sponsor*  
**Nedbank Limited,**  
acting through its Corporate and Investment Banking division

*Dealers*  
**Nedbank Limited,**  
acting through its Corporate and Investment Banking division

**Rand Merchant Bank,**  
a division of FirstRand Bank Limited

**Investec Bank Limited,**  
acting through its Corporate and Institutional Banking division

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Amended and Restated Programme Memorandum dated 23 November 2018.

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## GENERAL

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*Capitalised terms used in this section headed "General" shall bear the same meanings as those used in the Terms and Conditions, except to the extent that they are separately defined in this section or are clearly inappropriate from the context.*

The Issuer certifies that, to the best of its knowledge and belief, there are no facts that have been omitted from this Programme Memorandum which would make any statement false or misleading and that all reasonable enquiries to ascertain such facts have been made and that this Programme Memorandum contains all information required by law and the Debt Listings Requirements of the JSE. The Issuer accepts full responsibility for the accuracy of the information contained in this Programme Memorandum, the annual financial statements, the annual reports, the constitutional documents of the Issuer, the Applicable Pricing Supplement(s) of the Issuer, all documents incorporated by reference and any amendments or supplements to the aforementioned documents except as otherwise stated therein (see the section of this Programme Memorandum headed "*Documents Incorporated by Reference*").

The JSE takes no responsibility for the contents of this Programme Memorandum, the annual financial statements, the annual reports, the Applicable Pricing Supplement(s) of the Issuer and any amendments or supplements to the aforementioned documents. The JSE makes no representation as to the accuracy or completeness of this Programme Memorandum, the annual financial statements, the annual reports and the Applicable Pricing Supplement(s) of the Issuer and any amendments or supplements to the aforementioned documents and the JSE expressly disclaims any liability for any loss arising from or in reliance upon the whole or any part of the aforementioned documents. The JSE's approval of the registration of this Programme Memorandum and listing of the Notes is not to be taken in any way as an indication of the merits of the Issuer or of the Notes and that, to the extent permitted by law, the JSE will not be liable for any claim whatsoever.

The Issuer, having made all reasonable enquiries, confirms that this Programme Memorandum contains or incorporates all information which is material in the context of the issue and the offering of Notes, that the information contained or incorporated in this Programme Memorandum is true and accurate in all material respects and is not misleading, that the opinions and the intentions expressed in this Programme Memorandum are honestly held and that there are no other facts, the omission of which would make this Programme Memorandum or any of such information or expression of any such opinions or intentions misleading in any material respect.

This Programme Memorandum is to be read and construed with any amendment or supplement thereto and in conjunction with any other documents which are deemed to be incorporated herein by reference (see the section of this Programme Memorandum headed "*Documents Incorporated by Reference*") and, in relation to any Tranche (as defined herein) of Notes, should be read and construed together with the Applicable Pricing Supplement. This Programme Memorandum shall be read and construed on the basis that such documents are incorporated into and form part of this Programme Memorandum.

The Arranger, the Dealer(s), the JSE Debt Sponsor or any of their respective Subsidiaries or Holding Companies or a Subsidiary of their Holding Company (**Affiliates**), other professional advisers named herein and the JSE have not separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility is accepted by the Arranger, the Dealer(s), the JSE Debt Sponsor nor any of their Affiliates or other professional advisers as to the accuracy or completeness of the information contained in this Programme Memorandum or any other information provided by the Issuer. The Arranger, the Dealer(s), the JSE Debt Sponsor and other professional advisers do not accept any liability in relation to the information contained in this Programme Memorandum or any other information provided by the Issuer in connection with the Programme.

No Person has been authorised by the Issuer to give any information or to make any representation not contained in or not consistent with this Programme Memorandum or any other document entered into in relation to the Programme or any other information supplied by the Issuer in connection with the Programme and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Arranger, the Dealer(s), the JSE Debt Sponsor or other professional advisers.

Neither this Programme Memorandum nor any other information supplied in connection with the Programme is intended to provide a basis for any credit or other evaluation, or should be considered as a recommendation by the Issuer, the Arranger, the Dealer(s), the JSE Debt Sponsor and other professional advisers that any recipient of this Programme Memorandum or any other information supplied in connection with the Programme should subscribe for, or purchase, any Notes.

Each Person contemplating the subscription for, or purchase of, any Notes should determine for itself the relevance of the information contained in this Programme Memorandum and should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness of the Issuer and its subscription for, or purchase of, Notes should be based upon any such investigation as it deems necessary. Neither this Programme Memorandum nor any Applicable Pricing Supplement nor any other information supplied in connection with the Programme constitutes an offer or invitation by or on behalf of the Issuer, the Arranger, or any Dealer(s) to any Person to subscribe for or to purchase any Notes.

Neither the delivery of this Programme Memorandum nor any Applicable Pricing Supplement nor the offering, sale or delivery of any Note shall at any time imply that the information contained herein is correct at any time subsequent to the date hereof, or that any other financial statements or other information supplied in connection with the Programme is correct at any time subsequent to the date indicated in the document containing the same. The Arranger, the Dealer(s), the JSE Debt Sponsor and other professional advisers expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Programme. Investors should review, *inter alia*, the most recent financial statements, if any, of the Issuer, when deciding whether or not to subscribe for, or purchase, any Notes.

Neither this Programme Memorandum nor any Applicable Pricing Supplement constitutes an offer to sell or the solicitation of an offer to buy or an invitation to subscribe for or purchase any Notes. The distribution of this Programme Memorandum and any Applicable Pricing Supplement and the issue, sale or offer of Notes may be restricted by law in certain jurisdictions. Persons into whose possession this Programme Memorandum or any Applicable Pricing Supplement or any Notes come are required by the Issuer, the Arranger, the Dealer(s), the JSE Debt Sponsor and other professional advisers to inform themselves about, and observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of this Programme Memorandum or any Applicable Pricing Supplement and other offering material relating to the Notes, see the section headed "*Subscription and Sale*".

None of the Issuer, the Arranger, the Dealer(s), the JSE Debt Sponsor nor other professional advisers represents that this Programme Memorandum may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Arranger, the Dealer(s), the JSE Debt Sponsor or other professional advisers which would permit a public offering of any Notes or distribution of this document in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Programme Memorandum nor any advertisement nor other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any Applicable Laws and regulations. The Dealer(s) has/have represented that all offers and sales by it will be made on the same terms.

**The Notes have not been and will not be registered under the United States Securities Act of 1933 (as amended) (the Securities Act). Notes may not be offered, sold or delivered within the United States or to U.S. Persons except in accordance with Regulation S under the Securities Act. In addition, there are restrictions on the distribution of this Programme Memorandum in South Africa, the European Union and the United Kingdom. For a more complete description of certain restriction on the offering, sale and delivery of Notes and distribution of this Programme Memorandum, see the section of this Programme Memorandum headed "*Subscription and Sale*" below.**

In connection with the issue and distribution of any Tranche of Notes under the Programme, the relevant Dealer(s), if any, that is specified in the Applicable Pricing Supplement as the Stabilising Manager (or any Person acting for the Stabilising Manager) may, if specified in that Applicable Pricing Supplement and only if such stabilising is permitted by the Debt Listings Requirements of the JSE and approved by the JSE, over-allot or effect transactions with a view to supporting the market price of the

Notes at a level higher than that which might otherwise prevail for a limited period. However, there may be no obligation on the Stabilising Manager (or any agent of the Stabilising Manager) to do this. Such stabilising, if commenced, may be discontinued at any time and must be brought to an end after a limited period. Such stabilising shall be in compliance with all Applicable Laws, regulations and rules.

The price/yield and amount of a Tranche of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions.

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## DOCUMENTS INCORPORATED BY REFERENCE

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*Capitalised terms used in this section headed “Documents Incorporated by Reference” shall bear the same meanings as those used in the Terms and Conditions, except to the extent that they are separately defined in this section or are clearly inappropriate from the context.*

The following documents shall be deemed to be incorporated in, and to form part of, this Programme Memorandum:

- (a) all amendments, restatements and/or supplements to this Programme Memorandum prepared by the Issuer from time to time;
- (b) each Applicable Pricing Supplement relating to any Tranche of Notes issued under the Programme;
- (c) as at the Programme Date, the published audited annual financial statements, together with reports, and notes thereto, of the Issuer for the three financial years ended September 2015, 2016 and 2017 and in respect of any issue of Notes after the Programme Date, the published audited annual financial statements, together with reports, and notes thereto, of the Issuer in respect of further financial years, as and when such published audited financial statements become available;
- (d) as at the Programme Date, the published annual report (incorporating the Issuer’s audited annual financial statements, together with reports and the notes thereto) of the Issuer and attached to or intended to be read with such financial statements of the Issuer for the three financial years ended September 2016, 2017 and 2018 and in respect of any issue of Notes after the Programme Date, the published annual report of the Issuer in respect of further financial years, as and when such published annual report becomes available;
- (e) as at the Programme Date, the published integrated annual report of Sappi Limited (incorporating the Issuer’s audited consolidated annual financial statements, together with reports and notes thereto) and attached to or intended to be read with such financial statements of the Issuer for the three financial years ended September 2015, 2016 and 2017 and in respect of any issue of Notes after the Programme Date, the published integrated annual report of the Issuer in respect of further financial years, as and when such published annual report becomes available;
- (f) as from the Programme Date, the unaudited interim financial statements of the Issuer, together with such statements, reports and notes attached to or intended to be read with such unaudited interim financial statements, for the period ended March 2016, 2017 and 2018 and in respect any issue of Notes after the Programme Date, the future financial years, as and when such unaudited interim financial statements become available; and
- (g) all information pertaining to the Issuer which is relevant to the Programme and/or this Programme Memorandum which will be electronically submitted through the Stock Exchange News Service (**SENS**) or similar service established by the JSE, to SENS subscribers, if required,

save that any statement contained in this Programme Memorandum or in any of the documents incorporated by reference in and forming part of this Programme Memorandum shall be deemed to be modified or superseded for the purpose of this Programme Memorandum to the extent that a statement contained in any document subsequently incorporated by reference modifies or supersedes such earlier statement (whether expressly, by implication or otherwise).

The Issuer will, for as long the Programme Memorandum remains registered with the JSE, provide at its registered office as set out at the end of this Programme Memorandum, without charge, to any Person, upon request of such Person, a copy of all of the documents which are incorporated herein by reference, unless such documents have been modified or superseded, in which case the modified or superseding documentation will be provided, including the most recently obtained beneficial disclosure report made available by the Participant to the CSD. Requests for such documents should be directed to the Issuer at its registered office as set out at the end of this Programme Memorandum. In addition, the constitutive documents of the Issuer will be available at the registered office of the Issuer as set out at the end of this Programme Memorandum.

This Programme Memorandum, any amendments and/or supplements thereto, the Applicable Pricing

Supplements relating to any issue of listed Notes and the published audited annual financial statements of the Issuer are also available on the Issuer's website, <http://www.sappi.com>. In addition, this Programme Memorandum, any amendments and/or supplements thereto and the Applicable Pricing Supplements relating to any issue of listed Notes will be filed with the JSE which will publish such documents on its website at <http://www.jse.co.za>. This Programme Memorandum does not constitute an offer or invitation by or on behalf of the Issuer, the Arranger and the Dealer(s) or their Affiliates, the JSE Debt Sponsor or any other professional advisors to any Person in any jurisdiction to subscribe for or purchase any Notes.

The Issuer will, for so long as any Note remains Outstanding and listed on the Interest Rate Market of the JSE, publish a new Programme Memorandum or a supplement to this Programme Memorandum, as the case may be, if:

- (a) a change in the condition (financial or trading position) of the Issuer has occurred which is material in the context of the Notes so listed and the Issuer's payment obligations thereunder; or
- (b) an event has occurred which affects any matter contained in this Programme Memorandum, the disclosure of which would reasonably be required by Noteholders and/or potential investors in the Notes; or
- (c) any of the information contained in this Programme Memorandum becomes outdated in a material respect; or
- (d) this Programme Memorandum no longer contains all the materially correct information required by the Applicable Procedures,

provided that, in the circumstances set out in paragraphs (c) and (d) above, no new Programme Memorandum or supplement to this Programme Memorandum, as the case may be, is required in respect of the Issuer's audited annual financial statements if such audited annual financial statements are incorporated by reference into this Programme Memorandum and such audited annual financial statements are published, as required by the Companies Act.

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## GENERAL DESCRIPTION OF THE PROGRAMME

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*Capitalised terms used in this section headed “General Description of the Programme” shall bear the same meanings as those used in the Terms and Conditions, except to the extent that they are separately defined in this section or are clearly inappropriate from the context.*

The Issuer may from time to time issue one or more Tranches of Notes under the Programme, pursuant to this Programme Memorandum, provided that the aggregate outstanding Nominal Amount of all of the Notes issued under the Programme (including Notes issued under the Programme pursuant to the Previous Programme Memoranda) from time to time does not exceed the Programme Amount.

A Tranche of Notes may be listed on the Interest Rate Market of the JSE or on such other or additional Financial Exchange(s) as may be determined by the Issuer, subject to Applicable Laws. Unlisted Notes may also be issued under the Programme. The Applicable Pricing Supplement will specify whether or not a Tranche of Notes will be listed and, if so, on which Financial Exchange. If the Issuer issues a Tranche of unlisted Notes or a Tranche of Notes is listed on any Financial Exchange other than (or in addition to) the JSE, the Issuer will, by no later than the last Day of the month of issue of that Tranche of Notes, inform the JSE in writing of the aggregate Nominal Amount and the Maturity Date (if any) of that Tranche of Notes.

This Programme Memorandum and any supplement thereto will only be valid for the issue of Notes in an aggregate Nominal Amount which, when added to the aggregate Nominal Amount then outstanding of all the Notes previously or simultaneously issued under the Programme (including Notes issued under the Programme pursuant to the Previous Programme Memoranda), does not exceed ZAR5,000,000,000 or its equivalent in other currencies. For the purpose of calculating the South African Rand equivalent of the aggregate Nominal Amount of the Notes issued under the Programme from time to time, the South African Rand equivalent of the Notes denominated in another Specified Currency (as specified in the Applicable Pricing Supplement) shall be determined as of the date of agreement to issue such Notes (the **Agreement Date**) on the basis of the spot rate for the sale of the South African Rand against the purchase of such Specified Currency in the South African foreign exchange market quoted by any leading bank selected by the Issuer on the Agreement Date (the **Conversion Rate**) and in respect of:

- (a) Zero Coupon Notes and other Notes, the Conversion Rate shall be applied to the net subscription proceeds received by the Issuer for the relevant issue; and
- (b) Partly-Paid Notes and Index-Linked Notes, the Conversion Rate shall be applied to the Nominal Amount regardless of the amount paid up on such Notes.

From time to time the Issuer may wish to increase the Programme Amount. Subject to the Applicable Procedures, all Applicable Laws and the Programme Agreement (as defined in the section headed “Subscription and Sale”), the Issuer may, without the consent of Noteholders, increase the Programme Amount by delivering a notice thereof to the Noteholders in accordance with Condition 18 (*Notices*) of the Terms and Conditions, and to the Arranger, the Dealer(s), the JSE and the CSD. Upon such notice being given to the Noteholders and the conditions set out in the Programme Agreement to exercise this right having been met, all references in this Programme Memorandum (and each agreement, deed or document relating to the Programme and/or this Programme Memorandum) to the Programme Amount will be, and will be deemed to be, references to the increased Programme Amount set out in such notice.

This Programme Memorandum will apply to all Outstanding Notes issued under the Programme, on or after the Programme Date. A summary of the Programme and the Terms and Conditions appears below.



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## SUMMARY OF THE PROGRAMME

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*The following summary does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Programme Memorandum and, in relation to the Terms and Conditions of any particular Tranche of Notes, the Applicable Pricing Supplement. Words and expressions defined in the Terms and Conditions shall have the same meanings in this summary.*

### PARTIES

<b>Issuer</b>	Sappi Southern Africa Limited (registration number 1951/003180/06), a public company with limited liability duly incorporated in accordance with the company laws of South Africa on 12 September 1951.
<b>Arranger</b>	Nedbank Limited, acting through its Corporate and Investment Banking division (registration number 1951/000009/06), a public company with limited liability and a registered bank duly incorporated in accordance with the company and banking laws of South Africa ( <b>Nedbank</b> ).
<b>Dealers</b>	Nedbank, Rand Merchant Bank (a division of FirstRand Bank Limited) and Investec (acting through its Corporate and Institutional Banking division), and any additional Dealer(s) appointed by the Issuer from time to time, which appointment may be for a specific issue or on an ongoing basis.
<b>Transfer Agent</b>	Nedbank, or such other entity appointed by the Issuer as Transfer Agent, in which event that other entity will act as Transfer Agent, as specified in the Applicable Pricing Supplement.
<b>Paying Agent</b>	Nedbank Investor Services, a division of Nedbank Limited (registration number 1951/000009/06), a public company with limited liability and a registered bank duly incorporated in accordance with the company and banking laws of South Africa, or such other entity appointed by the Issuer as Paying Agent, in which event that other entity will act as Paying Agent, as specified in the Applicable Pricing Supplement.
<b>Calculation Agent</b>	Nedbank, or such other entity appointed by the Issuer as Calculation Agent, in which event that other entity will act as Calculation Agent, as specified in the Applicable Pricing Supplement.
<b>Issuer Agent</b>	Nedbank or such other entity appointed by the Issuer as Issuer Agent pursuant to the debt instrument solution system of the CSD, in which event that other entity will act as Issuer Agent.
<b>JSE Debt Sponsor</b>	Nedbank, or such other entity appointed by the Issuer from time to time.
<b>CSD</b>	Strate Proprietary Limited (registration number 1998/022242/07), a private company with limited liability duly incorporated in accordance with the company laws of South Africa and registered as a central securities depository in terms of the Financial Markets Act or such additional, alternative or successor central securities depository as may be agreed between the Issuer and the relevant Dealer(s).
<b>JSE</b>	the JSE Limited (registration number 2005/022939/06), a public company with limited liability duly incorporated in

accordance with the company laws of South Africa and a licensed financial exchange in terms of the Financial Markets Act, or any exchange which operates as a successor exchange to the JSE.

## **GENERAL**

### **Blocked Rands**

Blocked Rands may be used to subscribe for, or purchase, Notes, subject to the Exchange Control Regulations.

### **Clearing and Settlement**

Each Tranche of Notes which is held in the CSD will be issued, cleared and settled in accordance with the Applicable Procedures through the electronic settlement system of the CSD. The CSD acts as the approved electronic clearing house, and carries on the role of matching, clearing and facilitation of settlement of all transactions carried out on the JSE. Each Tranche of Notes which is held in the CSD will be cleared by Participants who will follow the electronic settlement procedures prescribed by the JSE and the CSD (see the section of this Programme Memorandum headed "*Settlement, Clearing and Transfers of Notes*").

### **Cross-Default**

The terms of the Notes will contain a cross-default provision relating to Indebtedness for money borrowed having an aggregate outstanding amount of at least ZAR100,000,000 (or its equivalent in any currency or currencies), or any guarantee of or indemnity in respect of any such Indebtedness as further described in Condition 16.1.1.4 (*Cross Default*).

### **Debt Listings Requirements**

The debt listings requirements of the JSE pursuant to the provisions of the Financial Markets Act for the listing of debt securities on the JSE, as amended from time to time.

### **Denomination**

Notes will be issued in such denominations as may be agreed by the Issuer and the relevant Dealer(s) and as indicated in the Applicable Pricing Supplement, save that the minimum denomination of each Note will be such as may be allowed or required from time to time by the central bank or regulator or any laws or regulations applicable to the Notes.

### **Description of Programme**

Sappi Southern Africa Limited ZAR5,000,000,000 Domestic Medium Term Note Programme.

### **Distribution**

Notes may be distributed by way of private placement, auction or bookbuild or any other means permitted under South African law, and in each case on a syndicated or non-syndicated basis as may be determined by the Issuer and the relevant Dealer(s) and reflected in the Applicable Pricing Supplement.

### **Form of Notes**

Each Tranche of Notes which is listed on the Interest Rate Market of the JSE and each Tranche of unlisted Notes will be issued in uncertificated form, and will be held in the CSD. The holder of a Beneficial Interest may exchange such Beneficial Interest for Notes in certificated form represented by an Individual Certificate (see the section of this Programme Memorandum headed "*Form of the Notes*").

### **Governing Law**

The Notes will be governed by and construed in accordance with the laws of South Africa in force from time to time, unless otherwise set out in the Applicable Pricing

	Supplement.				
<b>Interest</b>	Notes may be interest-bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate or other variable rate or be index-linked, and the method of calculating interest may vary between the Issue Date and the Maturity Date.				
<b>Interest Period(s)/Interest Payment Date(s)</b>	The Interest Rate, Interest Payment Date(s) and Interest Period(s), if any, applicable to a Tranche of Notes will be specified in the Applicable Pricing Supplement.				
<b>Issue and Transfer Taxes</b>	As at the Programme Date, no securities transfer tax or any similar tax is payable in respect of the issue, transfer or redemption of the Notes (see the section of this Programme Memorandum headed “ <i>South African Taxation</i> ”). Any future transfer duties and/or taxes that may be introduced in respect of (or may be applicable to) the transfer of Notes will be for the account of Noteholders.				
<b>Issue Price</b>	Notes may be issued on a fully paid or a partly paid basis and at their Nominal Amount or at a discount or premium to their Nominal Amount as specified in the Applicable Pricing Supplement.				
<b>Listing</b>	This Programme has been registered by the JSE. Notes issued under the Programme may be listed on the Interest Rate Market of the JSE or on such other or additional Financial Exchange(s) as may be determined by the Issuer and the relevant Dealer(s), subject to all Applicable Laws. Unlisted Notes may also be issued under the Programme. Unlisted Notes are not regulated by the JSE. The Applicable Pricing Supplement will specify whether or not a Tranche of Notes will be listed and, if so, on which Financial Exchange(s).				
<b>Maturities of Notes</b>	Such maturity(ies) as specified in the Applicable Pricing Supplement. The Notes are not subject to any minimum or maximum maturity.				
<b>Negative Pledge</b>	The Senior Notes will have the benefit of a negative pledge as described in Condition 7 ( <i>Negative Pledge</i> ) of the Terms and Conditions.				
<b>Noteholders</b>	The holders of Notes which are recorded as the registered Noteholders of those Notes in the Register.				
<b>Notes</b>	Notes may comprise: <table> <tr> <td><b>Fixed Rate Notes</b></td><td>Fixed Rate interest will be payable in arrears on such date or dates as may be agreed between the Issuer and the relevant Dealer(s), as indicated in the Applicable Pricing Supplement and on redemption, and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer(s).</td></tr> <tr> <td><b>Floating Rate Notes</b></td><td>Floating Rate Notes will bear interest calculated at a rate determined: (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement</td></tr> </table>	<b>Fixed Rate Notes</b>	Fixed Rate interest will be payable in arrears on such date or dates as may be agreed between the Issuer and the relevant Dealer(s), as indicated in the Applicable Pricing Supplement and on redemption, and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer(s).	<b>Floating Rate Notes</b>	Floating Rate Notes will bear interest calculated at a rate determined: (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement
<b>Fixed Rate Notes</b>	Fixed Rate interest will be payable in arrears on such date or dates as may be agreed between the Issuer and the relevant Dealer(s), as indicated in the Applicable Pricing Supplement and on redemption, and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer(s).				
<b>Floating Rate Notes</b>	Floating Rate Notes will bear interest calculated at a rate determined: (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement				

incorporating the ISDA Definitions; or (ii) on the basis of a reference rate appearing on the agreed screen page of a commercial quoting service; or (iii) on such other basis as may be agreed between the Issuer and the relevant Dealer(s), as indicated in the Applicable Pricing Supplement.

The Margin (if any) relating to such Floating Rate Notes will be agreed between the Issuer and the relevant Dealer(s) for each issue of Floating Rate Notes, as indicated in the Applicable Pricing Supplement.

Floating Rate Notes may also have a maximum Interest Rate, a minimum Interest Rate or both, as indicated in the Applicable Pricing Supplement.

The Interest Period for Floating Rate Notes may be 1 (one), 2 (two), 3 (three), 6 (six) or 12 (twelve) months or such other period as the Issuer and the relevant Dealer(s) may agree, as indicated in the Applicable Pricing Supplement.

**Zero Coupon Notes**

Zero Coupon Notes will be issued at their Nominal Amount or at a discount to it and will not bear interest (except in the case of late payment as specified).

**Index-Linked Notes**

Payments (whether in respect of interest on Indexed Interest Notes or in respect of principal on Indexed Redemption Amount Notes and whether at maturity or otherwise) will be calculated by reference to such index and/or formula as the Issuer and the relevant Dealer(s) may agree, as indicated in the Applicable Pricing Supplement.

**Dual Currency Notes**

Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as the Issuer and the relevant Dealer(s) may agree, as indicated in the Applicable Pricing Supplement.

**Mixed Rate Notes**

Mixed Rate Notes will bear interest over respective periods at the rates applicable for any combination of Fixed Rate Notes, Floating Rate Notes, Zero Coupon Notes, Index-Linked Notes or Dual Currency Notes, each as specified in the Applicable Pricing Supplement.

<b>Instalment Notes</b>	The Applicable Pricing Supplement will set out the dates on which, and the amounts in which, Instalment Notes may be redeemed.
<b>Partly Paid Notes</b>	The Issue Price of these unlisted Notes will be payable in two or more instalments as set out in the Applicable Pricing Supplement.
<b>Exchangeable Notes</b>	Exchangeable Notes may be redeemed by the Issuer in cash or by the delivery of securities, as specified in the Applicable Pricing Supplement.
<b>Other Notes</b>	Terms applicable to any other type of Notes that are approved by the JSE, or its successor, or such other or further exchange or exchanges as may be selected by the Issuer in relation to an issue of listed Notes, or as agreed between the Issuer and the relevant Dealer(s) in respect of unlisted Notes, will be set out in the Applicable Pricing Supplement.

## Rating

As at the Programme Date, the Issuer is rated. The Programme is not rated but may, after the Programme Date, be rated by a Rating Agency on a national or international scale basis. A Tranche of Notes may also, on or before the Issue Date, be rated by a Rating Agency on a national or international scale basis. Unrated Tranches of Notes may also be issued. The Rating assigned to the Issuer and/or the Programme and/or Notes, as the case may be, as well as the Rating Agency(ies) which assigned such Rating(s), will be specified in the Applicable Pricing Supplement. Unrated Tranches of Notes may also be issued

A Rating is not a recommendation to subscribe for, buy, sell or hold Notes and may be subject to revision, suspension or withdrawal at any time by the Rating Agency. Any adverse change in the Rating of the Issuer and/or the Programme and/or a Tranche of Notes, as the case may be, could adversely affect the trading price of all or any of the Notes.

Any amendment in the Rating of the Issuer and/or the Programme and/or a Tranche of Notes, as the case may be, after the Programme Date, will be announced on SENS.

## Redemption

A Tranche of Notes will, subject to the Applicable Pricing Supplement, be redeemed on the Maturity Date, as set out in Condition 10.1 (*Redemption at Maturity*).

If so specified in the Applicable Pricing Supplement, the Issuer may redeem the Notes of any Tranche at any time prior to the Maturity Date following the occurrence of a change in law and/or for tax reasons, as set out in Condition 10.2 (*Redemption for Tax Reasons*), unless otherwise set out in the Applicable Pricing Supplement.

If “*Early Redemption at the Option of the Issuer*” is specified as applicable in the Applicable Pricing Supplement or pursuant to Condition 10.3 (*Redemption at the Option of the Issuer*), the Issuer may, having given not less than 30

(thirty) Days nor more than 60 (sixty) Days irrevocable notice (or such other period of notice as may be specified in the Applicable Pricing Supplement) to the Noteholders in accordance with Condition 18 (*Notices*), redeem the Tranche of Notes on any Optional Redemption Date(s), unless otherwise set out in the Applicable Pricing Supplement.

If “*Redemption at the Option of Senior Noteholders*” is specified as applicable in the Applicable Pricing Supplement, the Senior Noteholders of any Tranche of Senior Notes may, having given not less than 30 (thirty) Days nor more than 60 (sixty) Days’ notice (or such other period of notice as may be specified in the Applicable Pricing Supplement), require the Issuer to redeem Senior Notes on any Optional Redemption Date in the manner specified in Condition 10.4 (*Redemption at the Option of the Senior Noteholders*) and the Applicable Pricing Supplement.

If “*Early Redemption in the event of a Change of Control*” is specified as being applicable in the Applicable Pricing Supplement and (i) a Change of Control occurs (as defined below); and (ii) within the Change of Control Period (as defined below), (A) a Rating Downgrade (as defined below) occurs in relation to the Issuer and/or the Programme and/or any Tranche of Notes, as the case may be; or (B) if, the Issuer and/or the Programme and/or any Tranche of Notes are not so rated, a Negative Rating Event (as defined below) in respect of that Change of Control occurs, (in either case, a **Change of Control Event**); and (C) the Noteholders resolve by way of an Extraordinary Resolution to have their Notes redeemed by the Issuer, then each Noteholder in that Class of Noteholders shall have the option to require the Issuer to redeem each Note in that Tranche of Notes held by that Noteholder at its Early Redemption Amount together with accrued interest (if any) within 15 (fifteen) Days after the delivery by that Noteholder of a Change of Control Redemption Notice (as defined below), unless otherwise set out in the Applicable Pricing Supplement.

If “*Redemption in the event of a failure to maintain JSE Listing and Rating*” is specified as applicable in the Applicable Pricing Supplement, the Noteholders of any Tranche of Notes may, after having been notified by the Issuer in accordance with Condition 18 (*Notices*), require the Issuer to redeem Notes on any Optional Redemption Date in the manner specified in Condition 10.6 (*Redemption in the event of a failure to maintain JSE Listing and Rating*) and the Applicable Pricing Supplement.

## **Selling Restrictions**

The distribution of this Programme Memorandum and/or any Applicable Pricing Supplement and any offering or sale of or subscription for a Tranche of Notes may be restricted by law in certain jurisdictions, and is restricted by law in the United States of America, the United Kingdom, the European Economic Area and South Africa (see the section of this Programme Memorandum headed “*Subscription and Sale*”). Any other or additional restrictions which are applicable to the placing of a Tranche of Notes will be set out in the Applicable Pricing Supplement. Persons who

come into possession of this Programme Memorandum and/or any Applicable Pricing Supplement must inform themselves about and observe all applicable selling restrictions.

**Size of the Programme**

As at the Programme Date, the Programme Amount is ZAR5,000,000,000. This Programme Memorandum will only apply to Notes issued under the Programme in an aggregate outstanding Nominal Amount which does not exceed the Programme Amount. The Issuer may increase the Programme Amount in the manner set out in the section of this Programme Memorandum headed "*General Description of the Programme*". The Programme Amount at the time of the issue of any Tranche of Notes will be set out in the Applicable Pricing Supplement.

**Specified Currency**

South African Rand or, subject to all Applicable Laws and, in the case of Notes listed on the Interest Rate Market of the JSE and the Debt Listings Requirements of the JSE, such other currency as is specified in the Applicable Pricing Supplement.

**Status of Senior Notes**

Unless otherwise set out in the Applicable Pricing Supplement, the Senior Notes constitute direct, unconditional, unsubordinated and (subject to Condition 7 (*Negative Pledge*)) unsecured obligations of the Issuer and rank *pari passu* and rateably without any preference among themselves and (save for certain debts required to be preferred by law), equally with all other present or future unsecured and unsubordinated obligations of the Issuer from time to time outstanding.

**Status and Characteristics relating to Subordinated Notes**

Unless otherwise set out in the Applicable Pricing Supplement, Subordinated Notes constitute direct, unconditional, unsecured and subordinated obligations of the Issuer and will rank *pari passu* among themselves and will rank at least *pari passu* with all other present and future unsecured and subordinated obligations of the Issuer.

Subject to Applicable Laws, in the event of the dissolution of the Issuer or if the Issuer is placed into liquidation or wound up or is subject to business rescue proceedings, then and in any such event the claims of the Persons entitled to be paid amounts due in respect of the Subordinated Notes shall be subordinated to all other claims in respect of any other indebtedness of the Issuer except for other Subordinated Indebtedness of the Issuer, to the extent that, in any such event, and provided as aforesaid, no amount shall be eligible for setting-off or shall be payable to any or all of the Persons entitled to be paid amounts due in respect of the Subordinated Notes in respect of the obligations of the Issuer thereunder until all other indebtedness of the Issuer which is admissible in any such dissolution, liquidation, winding-up or business rescue proceedings (other than Subordinated Indebtedness) has been paid or discharged in full.

**Stabilisation**

In connection with the issue and distribution of any Tranche of Notes under the Programme, the Dealer(s), if any, that is specified in the Applicable Pricing Supplement as the Stabilising Manager (or any Person acting for the Stabilising Manager) may, if specified in that Applicable Pricing Supplement and only if such stabilising is permitted by the

Debt Listings Requirements of the JSE and approved by the JSE, over-allot or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail for a limited period. However, there may be no obligation on the Stabilising Manager (or any agent of the Stabilising Manager) to do this. Such stabilising, if commenced, may be discontinued at any time and must be brought to an end after a limited period. Such stabilising shall be in compliance with all Applicable Laws, regulations and rules.

#### **Taxation**

A summary of the applicable tax legislation in respect of the Notes, as at the Programme Date, is set out in the section of this Programme Memorandum headed "*South African Taxation*". The summary does not constitute tax advice. Potential investors in the Notes should, before making an investment in the Notes, consult their own professional advisers as to the potential tax consequences of, and their tax positions in respect of, an investment in the Notes.

#### **Terms and Conditions**

The terms and conditions of the Notes are set out in the section of this Programme Memorandum headed "*Terms and Conditions of the Notes*". The Applicable Pricing Supplements may specify other terms and conditions (which may replace, modify or supplement the Terms and Conditions) in relation to specific terms and conditions of the Notes of any Tranche of Notes issued.

#### **Use of Proceeds**

The Issuer will use the issue proceeds of the Notes for its general corporate purposes, or as may otherwise be described in the Applicable Pricing Supplement.

#### **Withholding Taxes**

In the event that any withholding tax or such other deduction is required by law, then the Issuer will, subject to certain exceptions as provided in Condition 11 (*Taxation*), pay such additional amounts as shall be necessary in order that the net amounts received by the Noteholders after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes, as the case may be, in the absence of such withholding or deduction.



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## INVESTOR CONSIDERATIONS/RISK FACTORS

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*Capitalised terms used in this section headed “Investor Considerations/Risk Factors” shall bear the same meanings as those used in the Terms and Conditions, except to the extent that they are separately defined in this section or are clearly inappropriate from the context.*

*The Issuer believes that the factors outlined below may affect its ability to fulfil its obligations under the Notes. All of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring. In addition, factors which are material for the purpose of assessing the market risks associated with the Notes are also described below. The value of the Notes could decline due to any of these risks, and investors may lose some or all of their investment.*

*The Issuer believes that the factors described below represent the principal risks inherent in investing in the Notes, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons which may not be considered significant risks by the Issuer based on information available to it at the Programme Date, or which it may not be able to anticipate at the Programme Date. Accordingly, the Issuer does not represent that the statements below regarding the risks of holding any Notes are exhaustive.*

*Prospective investors should also read the detailed information set out elsewhere in this Programme Memorandum to reach their own views prior to making any investment decision.*

*References below to the “Terms and Conditions”, in relation to Notes, shall mean the “Terms and Conditions of the Notes” set out under the section of this Programme Memorandum headed “Terms and Conditions of the Notes”.*

### **Factors that may affect the Issuer’s ability to fulfil its obligations under Notes issued under the Programme**

#### **Risks Relating to the Notes**

##### ***The Notes may not be a suitable investment for all investors***

Each potential investor in any Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Programme Memorandum or any applicable supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such an investment will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor’s currency;
- understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured and appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor’s overall investment portfolio.

***There may not be an active trading market for the Notes***

Notes issued under the Programme will be new securities which may not be widely distributed and for which there is currently no active trading market (unless in the case of any particular Tranche, such Tranche is to be consolidated with and form a single series with a Tranche of Notes which is already issued). If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer. There is no assurance as to the development or liquidity of any trading market for any particular Tranche of Notes.

***The Notes may be redeemed prior to maturity***

Unless in the case of any particular Tranche of Notes the Applicable Pricing Supplement specifies otherwise, in the event that the Issuer would be obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the government of South Africa or any political subdivision thereof or any authority therein or thereof having power to tax, the Issuer may redeem all Outstanding Notes in accordance with the Conditions.

In addition, if in the case of any particular Tranche of Notes the Applicable Pricing Supplement specifies that the Notes are redeemable at the Issuer's option in certain other circumstances, the Issuer may choose to redeem the Notes at times when prevailing interest rates may be relatively low. In such circumstances an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the relevant Notes.

***Because uncertificated Notes are held in the CSD, investors will have to rely on their procedures for transfer, payment and communication with the Issuer***

Notes issued under the Programme which are listed on the Interest Rate Market of the JSE or such other or additional Financial Exchange and/or held in the CSD may, subject to Applicable Laws and the Applicable Procedures, be issued in uncertificated form. Unlisted Notes may also be held in the CSD in uncertificated form. Notes held in the CSD will be issued, cleared and settled in accordance with the Applicable Procedures through the electronic settlement system of the CSD. Except in the limited circumstances described in the Terms and Conditions, investors will not be entitled to receive Individual Certificates. The CSD will maintain records of the Beneficial Interests in Notes and/or issued in uncertificated form, which are held in the CSD (whether such Notes are listed or unlisted). Investors will be able to trade their Beneficial Interests only through the CSD and in accordance with the Applicable Procedures.

Payments of principal and/or interest in respect of uncertificated Notes will be made to the CSD or the Participants and the Issuer will discharge its payment obligations under the Notes by making payments to or to the CSD or the Participants for distribution to their account holders. A holder of a Beneficial Interest in uncertificated Notes, whether listed or unlisted, must rely on the procedures of the CSD to receive payments under the relevant Notes. Each investor shown in the records of the CSD or the Participants, as the case may be, shall look solely to the CSD or the Participant, as the case may be, for his share of each payment so made by the Issuer to the registered holder of such uncertificated Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, such Beneficial Interests.

Holders of Beneficial Interests in uncertificated Notes will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by the CSD to appoint appropriate proxies.

***Recourse to the JSE Debt Guarantee Fund Trust***

The holders of Notes that are not listed on the Interest Rate Market of the JSE will have no recourse against the JSE Debt Guarantee Fund Trust. Claims against the JSE Debt Guarantee Fund Trust may only be made in respect of the trading of Notes listed on the Interest Rate Market of the JSE and in accordance with the rules of the JSE Debt Guarantee Fund Trust. Unlisted notes are not regulated by the JSE.

***Credit Rating***

Tranches of Notes issued under the Programme, the Issuer and/or the Programme, as the case may be, may be rated or unrated. A Rating is not a recommendation to buy, sell or hold securities and may

be subject to suspension, reduction or withdrawal at any time by the assigning Rating Agency. Any adverse change in an applicable credit rating could adversely affect the trading price for the Notes issued under the Programme.

### ***Risks related to the structure of the particular issue of Notes***

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of certain such features:

#### ***Notes subject to optional redemption by the Issuer***

An optional redemption feature is likely to limit the market value of the Notes. During any period when the Issuer may elect to redeem the Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period. The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to re-invest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

#### ***Index-Linked and Dual Currency Notes***

The Issuer may issue Notes the terms of which provide for interest or principal payable in respect of such Notes to be determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each, a **Relevant Factor**) or with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

- the market price of such Notes may be volatile;
- no interest may be payable on such Notes;
- payments of principal or interest on such Notes may occur at a different time or in a different currency than expected;
- the amount of principal payable at redemption may be less than the Nominal Amount of such Notes or even zero;
- a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable is likely to be magnified; and
- the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

#### ***Partly-paid Notes***

The Issuer may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing all of its investment.

#### ***Notes issued at a substantial discount or premium***

The market values of securities issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

#### *Variable Rate Notes with a multiplier or other leverage factor*

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

#### *Fixed/Floating Rate Notes*

Fixed/Floating Rate Notes may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The Issuer's ability to convert the interest rate will affect the secondary market and the market value of such Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate may at any time be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Notes.

#### *Notes where denominations involve integral multiples: Individual Certificates*

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive an Individual Certificate in respect of such holding and would need to purchase a Nominal Amount of Notes such that its holding amounts to a minimum Specified Denomination.

If Individual Certificates are issued, holders should be aware that Individual Certificates which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

#### **Modification and waivers and substitution**

The Conditions contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

#### **Change of law**

The Notes are governed by, and will be construed in accordance with, South African law in effect as at the Programme Date. No assurance can be given as to the impact of any possible judicial decision or change to South African law or administrative practice in South Africa after the Programme Date.

#### **Legal investment considerations may restrict certain investments**

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

#### **Risks Relating to the Issuer's Business**

Risks affecting the business of the Issuer are set out in the section of this Programme Memorandum, headed "*Description of Sappi Southern Africa Limited*" as well as the Issuer's published annual report.

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## FORM OF THE NOTES

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*Capitalised terms used in this section headed “Form of the Notes” shall bear the same meanings as those used in the Terms and Conditions, except to the extent that they are separately defined in this section or are clearly inappropriate from the context.*

### **Notes issued in certificated form**

All certificated Notes will be represented by a single Individual Certificate in registered form. Notes represented by Individual Certificates will be registered in the Register in the name of the individual Noteholders of such Notes.

Subject to the Applicable Laws, title to Notes represented by Individual Certificates will be freely transferable and fully paid up (save for Zero Coupon Notes) and will pass upon registration of transfer in accordance with Condition 14.2 (*Transfer of Notes represented by Individual Certificates*) of the Terms and Conditions.

The Issuer shall regard the Register as the conclusive record of title to the Notes represented by Individual Certificates.

Payments of all amounts due and payable in respect of Notes represented by Individual Certificates will be made in accordance with Condition 9 (*Payments*) of the Terms and Conditions to the Person reflected as the registered Noteholder of such Notes in the Register at 17h00 (South African time) on the Last Day to Register, and the payment obligations of the Issuer will be discharged by proper payment to or to the order of such registered Noteholder in respect of each amount so paid.

### **Notes issued in uncertificated form**

A Tranche of Notes which is listed on the Interest Rate Market of the JSE will be freely transferable and fully paid up (save for Zero Coupon Notes) and must, subject to Applicable Laws and Applicable Procedures, be issued in uncertificated form in terms of section 33 of the Financial Markets Act.

Notes issued in uncertificated form will not be represented by any certificate or written instrument. A Tranche of Notes issued in uncertificated form will be held by the CSD, and the relevant Noteholder will be named in the Register as the registered Noteholder of that Tranche of Notes.

### **Beneficial Interests in Notes held in the CSD**

A Tranche of Notes which is listed on the Interest Rate Market of the JSE will be issued in uncertificated form and held in the CSD. A Tranche of unlisted Notes may also be held in the CSD. While a Tranche of Notes is held in the CSD, the relevant Noteholder will be named in the Register as the sole holder of the Notes in that Tranche.

The CSD will hold each Tranche of Notes subject to the Financial Markets Act and the Applicable Procedures. All amounts to be paid in respect of Notes held in the CSD will be paid to the relevant Participant on behalf of the relevant Noteholder pursuant to the Applicable Procedures. All rights to be exercised in respect of Notes held in the CSD will be exercised by the relevant Noteholder.

The CSD maintains central securities accounts for Participants. As at the Programme Date, the Participants are FirstRand Bank Limited, Nedbank Limited, The Standard Bank of South Africa Limited, Citibank N.A. South Africa Branch, Standard Chartered Bank, Johannesburg Branch, Société Générale, Johannesburg Branch and the South African Reserve Bank.

Euroclear Bank S.A./N.V. as operator of the Euroclear System (**Euroclear**) and Clearstream Banking, société anonyme, (Clearstream Luxembourg) (**Clearstream**) may hold Notes through their Participant.

In relation to each Person shown in the records of the CSD or the relevant Participant, as the case may be, as the holder of a Beneficial Interest in a particular outstanding Nominal Amount of Notes, a certificate or other document issued by the CSD or the relevant Participant, as the case may be, as to the outstanding Nominal Amount of such Notes standing to the account of any Person shall be *prima facie* proof of such Beneficial Interest. However, the registered Noteholder of such Notes named in the Register will be treated by the Issuer, the Paying Agent, the Transfer Agent and the CSD as the holder of that outstanding Nominal Amount of such Notes for all purposes.

Subject to the Applicable Laws and the Applicable Procedures, title to Beneficial Interests held by Noteholders through the CSD will be freely transferable and will pass on transfer thereof by electronic book entry in the central securities accounts maintained by the CSD or relevant Participants for such Noteholders. Holders of Beneficial Interests vote in accordance with the Applicable Procedures.

The holder of a Beneficial Interest will only be entitled to exchange such Beneficial Interest for Notes represented by an Individual Certificate in accordance with Condition 12 (*Exchange of Beneficial Interests and Replacement of Individual Certificates*) of the Terms and Conditions.

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**PRO FORMA APPLICABLE PRICING SUPPLEMENT**

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Set out below is the form of Applicable Pricing Supplement that will be completed for each Tranche of Notes issued under the Programme:

**SAPPI SOUTHERN AFRICA LIMITED**

*(Incorporated in the Republic of South Africa with limited liability under registration number 1951/003180/06)*

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]**

**Under its ZAR5,000,000,000 Domestic Medium Term Note Programme**

This Applicable Pricing Supplement must be read in conjunction with the amended and restated Programme Memorandum, dated 23 November 2018, prepared by Sappi Southern Africa Limited in connection with the Sappi Southern Africa Limited ZAR5,000,000,000 Domestic Medium Term Note Programme, as amended and/or supplemented from time to time (the **Programme Memorandum**).

Any capitalised terms not defined in this Applicable Pricing Supplement shall have the meanings ascribed to them in the section of the Programme Memorandum headed "*Terms and Conditions of the Notes*".

This document constitutes the Applicable Pricing Supplement relating to the issue of Notes described herein. The Notes described herein are issued on and subject to the Terms and Conditions as amended and/or supplemented by the Terms and Conditions contained in this Applicable Pricing Supplement. To the extent that there is any conflict or inconsistency between the contents of this Applicable Pricing Supplement and the Programme Memorandum, the provisions of this Applicable Pricing Supplement shall prevail.

**PARTIES**

1.	Issuer	Sappi Southern Africa Limited
2.	Dealer(s)	[       ]
3.	Manager(s)	[       ]
4.	Debt Sponsor	[       ]
5.	Paying Agent	[       ]
	Specified Office	[       ]
6.	Calculation Agent	[       ]
	Specified Office	[       ]
7.	Transfer Agent	[       ]
	Specified Office	[       ]
8.	Settlement Agent	[       ]
	Specified Office	[       ]
9.	Issuer Agent	[       ]
	Specified Office	[       ]

**PROVISIONS RELATING TO THE NOTES**

10.	Status of Notes	[Senior/Subordinated] [Secured/Unsecured]
11.	Form of Notes	The Notes in this Tranche are [listed/unlisted] Notes, issued in [uncertificated form and held by

		the CSD]/[certificated form]
12.	Series Number	[       ]
13.	Tranche Number	[       ]
14.	Aggregate Nominal Amount:	
	(a) Series	[       ]
	(b) Tranche	[       ]
15.	Interest	[Interest-bearing/Non-interest-bearing]
16.	Interest Payment Basis	[[Fixed Rate/Floating Rate/Zero Coupon/Index-Linked/Dual Currency/Partly Paid /Instalment] Notes/other]
17.	Automatic/Optional Conversion from one Interest/Redemption/Payment Basis to another	[Insert details including date for conversion]
18.	Issue Date	[       ]
19.	Nominal Amount per Note	[       ]
20.	Specified Denomination	[       ]
21.	Specified Currency	[       ]
22.	Issue Price	[       ]
23.	Interest Commencement Date	[       ]
24.	Maturity Date	[       ]
25.	Applicable Business Day Convention	[Floating Rate Business Day / Following Business Day / Modified Following Business Day / Preceding Business Day / other convention – insert details]
26.	Final Redemption Amount	[       ]
27.	Last Day to Register	[       ]
28.	Books Closed Period(s)	The Register will be closed from [...] to [...] and from [...] to [...] (all dates inclusive) in each year until the Maturity Date
29.	Default Rate	[       ]
<b>FIXED RATE NOTES</b>		
30.	(a) Fixed Rate of Interest	[       ] percent. per annum [payable [annually/semi-annually/quarterly] in arrear]
	(b) Fixed Interest Payment Date(s)	[Each [ <i>insert date</i> ], of each calendar year during the period commencing on [ <i>insert date</i> ] and ending on the Redemption Date, each such day being subject to adjustment in accordance with the Following Business Day Convention]
	(c) Fixed Coupon Amount(s)	[       ] per [       ] in Nominal Amount
	(d) Initial Broken Amount	[       ]
	(e) Final Broken Amount	[       ]
	(f) Interest Rate Determination Date(s)	[On the first date of that Interest Period or if such day is not a Business Day, the following day that is a Business Day in each year]
	(g) Day Count Fraction	[       ]



- (h) Any other terms relating to the particular method of calculating interest [ ]

#### FLOATING RATE NOTES

31. (a) Floating Interest Payment Date(s) [Each *[insert date]*, of each calendar year during the period commencing on *[insert date]* and ending on the Redemption Date, each such day being subject to adjustment in accordance with the Following Business Day Convention]
- (b) Interest Period(s) [From and including one Floating Rate Interest Payment Date to but excluding the following Floating Rate Interest Payment Date, with the First Interest Period commencing on *[insert date]* and ending the day before the next Interest Payment Date]
- (c) Definition of Business Day (if different from that set out in Condition 1) (*Interpretation*) [ ]
- (d) Minimum Rate of Interest [ ] percent per annum
- (e) Maximum Rate of Interest [ ] percent per annum
- (f) Other terms relating to the method of calculating interest (e.g.: Day Count Fraction, rounding up provision) [ ]
32. Rate of Interest and manner in which the Rate of Interest is to be determined [ISDA Determination] / [Screen Rate Determination (Reference Rate plus Margin)]/[other – *insert details*]
33. Margin [[•] basis points/[•] percent] to be added to/subtracted from the relevant ISDA Rate / Reference Rate]
34. If ISDA Determination [ ]
- (a) Floating Rate [ ]
- (b) Floating Rate Option [ ]
- (c) Designated Maturity [ ]
- (d) Reset Date(s) [ ]
- (e) ISDA Definitions to apply [ ]
35. If Screen Rate Determination:
- (a) Reference Rate (including relevant period by reference to which the Rate of Interest is to be calculated) [ ]
- (b) Interest Rate Determination Date(s) [On the first date of that Interest Period or if such day is not a Business Day, the following day that is a Business Day]
- (c) Relevant Screen Page and Reference Code [ ]
36. If Rate of Interest to be calculated otherwise than by ISDA Determination or Screen Rate [ ]

Determination, insert basis for determining Rate of Interest/Margin/ Fallback provisions

37. Calculation Agent responsible for calculating amount of principal and interest [ ]

#### **ZERO COUPON NOTES**

38. (a) Implied Yield [ ]  
 (b) Reference Price [Percent[NACA] [NACM] [NACQ] [NACS] [other method of compounding]  
 (c) Any other formula or basis for determining amount(s) payable [ ]

#### **PARTLY PAID NOTES**

39. (a) Amount of each payment comprising the Issue Price [ ]  
 (b) Dates upon which each payment is to be made by Noteholder [ ]  
 (c) Consequences (if any) of failure to make any such payment by Noteholder [ ]  
 (d) Interest Rate to accrue on the first and subsequent instalments after the due date for payment of such instalments [ ] percent per annum

#### **INSTALMENT NOTES**

40. Instalment Dates [ ]  
 41. Instalment Amounts (expressed as a percentage of the aggregate Nominal Amount of the Notes) [ ]

#### **MIXED RATE NOTES**

42. Period(s) during which the Interest Rate for the Mixed Rate Notes will be (as applicable) that for:  
 (a) Fixed Rate Notes [ ]  
 (b) Floating Rate Notes [ ]  
 (c) Index-Linked Notes [ ]  
 (d) Dual Currency Notes [ ]  
 (e) Other Notes [ ]  
 43. The Interest Rate and other pertinent details are set out under the headings relating to the applicable forms of Notes

#### **INDEX-LINKED NOTES**

44. (a) Type of Index-Linked Notes [Indexed Interest Notes / Indexed Redemption

	Amount Notes]
(b) Index/Formula by reference to which Interest Rate / Interest Amount is to be determined	[ ]
(c) Manner in which the Interest Rate / Interest Amount is to be determined	[ ]
(d) Interest Period(s)	[ ]
(e) Interest Payment Date(s)	[ ]
(f) Provisions where calculation by reference to Index and/or Formula is impossible or impracticable	[ ]
(g) Definition of Business Day (if different from that set out in Condition 1 ( <i>Interpretation</i> ))	[ ]
(h) Minimum Rate of Interest	[ ] percent per annum
(i) Maximum Rate of Interest	[ ] percent per annum
(j) Other terms relating to the method of calculating interest (e.g.: Day Count Fraction, rounding up provision)	[ ]

#### DUAL CURRENCY NOTES

45.	• Type of Dual Currency Notes	[Dual Currency Interest/Dual Redemption Amount] Notes	Currency
	• Rate of Exchange/method of calculating Rate of Exchange	[ ]	
	• Provisions applicable where calculation by reference to Rate of Exchange is impossible or impracticable	[ ]	
	• Person at whose option Specified Currency(ies) is/are payable	[ ]	

#### EXCHANGEABLE NOTES

46.	(a) Mandatory Exchange applicable	[Yes/No]
	(b) Noteholders' Exchange Right applicable	[Yes/No]
	(c) Exchange Securities	[ ]
	(d) Manner of determining Exchange Price	[ ]
	(e) Exchange Period	[ ]
	(f) Other	[ ]

#### OTHER NOTES

47.	If the Notes are not Partly Paid Notes, Instalment Notes, Fixed	[ ]
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Rate Notes, Floating Rate Notes, Mixed Rate Notes, Zero Coupon Notes, Index-Linked Notes, Dual Currency Notes or Exchangeable Notes or if the Notes are a combination of any of the foregoing, set out the relevant description and any additional Terms and Conditions relating to such Notes.

#### PROVISIONS REGARDING REDEMPTION/MATURITY

48. Redemption at the Option of the Issuer: [Yes/No]

If yes:

(a) Optional Redemption Date(s) [ ]

(b) Optional Redemption Amount(s) and method, if any, of calculation of such amount(s) [ ]

(c) Minimum period of notice (if different from Condition 10.3 (*Redemption at the Option of the Issuer*)) [ ]

(d) If redeemable in part: [ ]

Minimum Redemption Amount(s) [ ]

Higher Redemption Amount(s) [ ]

(e) Other terms applicable on Redemption

49. Redemption at the Option of the Senior Noteholders: [Yes/No]

if yes:

(a) Optional Redemption Date(s) [ ]

(b) Optional Redemption Amount(s) [ ]

(c) Minimum period of notice (if different from Condition 10.4 (*Redemption at the Option of the Senior Noteholders*))) [ ]

(d) If redeemable in part:

Minimum Redemption Amount(s) [ ]

Higher Redemption Amount(s) [ ]

(e) Other terms applicable on Redemption [ ]

(f) Attach *pro forma* put notice(s)

- |                |  |   |
|----------------|--|---|
| 50.            | Redemption in the event of a Change of Control at the election of Noteholders pursuant to Condition 10.5 ( <i>Redemption in the event of a Change of Control</i> ) or any other terms applicable to a Change of Control  | [Yes/No]  |
| 51.            | Redemption in the event of a failure to maintain JSE Listing and Rating at the election of Noteholders pursuant to Condition 10.6 ( <i>Redemption in the event of a failure to maintain JSE Listing and Rating</i> )   | [Yes/No]  |
| 52.            | Early Redemption Amount(s) payable on redemption for taxation reasons pursuant to Condition 10.2 ( <i>Redemption for Tax Reasons</i> ), on redemption at the option of the Issuer pursuant to Condition 10.3 ( <i>Redemption at the Option of the Issuer</i> ), on redemption at the option of the Senior Noteholders pursuant to Condition 10.4 ( <i>Redemption at the Option of the Senior Noteholders</i> ), redemption on a Change of Control pursuant to Condition 10.5 ( <i>Redemption in the event of a Change of Control</i> ), or in relation to a failure to maintain a JSE Listing and Rating pursuant to Condition 10.6 ( <i>Redemption in the event of a failure to maintain JSE Listing and Rating</i> ) or on Event of Default pursuant to Condition 16 ( <i>Events of Default</i> ) (if required or if different from that set out in Condition 10.7 ( <i>Early Redemption Amounts</i> )). | [Yes/No]  |
|                | If yes:  |   |
|                | (a) Amount payable; or   | [       ]   |
|                | (b) Method of calculation of amount payable  | [       ]   |
| <b>GENERAL</b> |  |   |
| 53.            | Financial Exchange   | [       ]   |
| 54.            | Additional selling restrictions  | [       ]   |
| 55.            | ISIN No.   | [       ]   |
| 56.            | Stock Code   | [       ]   |
| 57.            | Stabilising manager  | [       ]   |
| 58.            | Provisions relating to stabilisation   | [       ]   |
| 59.            | Method of distribution   | [Auction/Bookbuild/Private Placement]             |
| 60.            | Credit Rating assigned to the  | [       ]/[issue date and renewal date of rating] |

- |     |  |  |
|-----|--|--|
|     | [Issuer]/[Programme]/[Notes]                                   | <i>to be specified</i>   |
| 61. | Applicable Rating Agency                                       | [       ]  |
| 62. | Governing law (if the laws of South Africa are not applicable) | [       ]  |
| 63. | Other provisions   | [Other Events of Default in addition to the Events of Default referred to in Condition 16 (Events of Default)] |
|     |  | [Other covenants, provisions]  |

**DISCLOSURE REQUIREMENTS IN TERMS OF PARAGRAPH 3(5) OF THE COMMERCIAL PAPER REGULATIONS IN RELATION TO THIS ISSUE OF NOTES**

64. Paragraph 3(5)(a)  
The “ultimate borrower” (as defined in the Commercial Paper Regulations) is the [Issuer].
65. Paragraph 3(5)(b)  
The Issuer is a going concern and can in all circumstances be reasonably expected to meet its commitments under the Notes.
66. Paragraph 3(5)(c)  
The auditor of the Issuer is [insert].
67. Paragraph 3(5)(d)  
As at the date of this issue:
- (i) the Issuer has [not issued]/[issued ZAR●,000,000,000] Commercial Paper (as defined in the Commercial Paper Regulations); and
  - (ii) the Issuer estimates that it may issue [ZAR●,000,000,000] of Commercial Paper during the current financial year, ending [date].
68. Paragraph 3(5)(e)  
All information that may reasonably be necessary to enable the investor to ascertain the nature of the financial and commercial risk of its investment in the Notes is contained in the Programme Memorandum and the Applicable Pricing Supplement.
69. Paragraph 3(5)(f)  
There has been no material adverse change in the Issuer’s financial position since the date of its last audited financial statements.
70. Paragraph 3(5)(g)  
The Notes issued will be [listed/unlisted].
71. Paragraph 3(5)(h)  
The funds to be raised through the issue of the Notes are to be used by the Issuer for its [general corporate purposes/funding of its business operations/other].
72. Paragraph 3(5)(i)  
The obligations of the Issuer in respect of the Notes are unsecured.
73. Paragraph 3(5)(j)  
[Insert], the statutory auditors of the Issuer, have confirmed that [their review did not reveal anything which indicates / nothing has come to their attention to indicate] that this issue of Notes issued under the Programme will not comply in all respects with the relevant provisions of the Commercial Paper Regulations.

**Responsibility:**

The Issuer certifies that to the best of its knowledge and belief there are no facts that have been omitted from the Programme Memorandum or this Applicable Pricing Supplement which would make any statement false or misleading and that all reasonable enquiries to ascertain such facts have been made as well as that the Programme Memorandum, contains all information required by law and Debt Listings Requirements of the JSE. The Issuer accepts full responsibility for the accuracy of the information contained in the Programme Memorandum, this Applicable Pricing Supplement and all documents incorporated by reference (see the section of the Programme Memorandum headed "*Documents Incorporated by Reference*"), except as otherwise stated therein.

The JSE takes no responsibility for the contents of the Programme Memorandum read with this Applicable Pricing Supplement, the annual reports, which include the annual financial statements of the Issuer, and any amendments or supplements to the aforementioned documents. The JSE makes no representation as to the accuracy or completeness of the Programme Memorandum read with this Applicable Pricing Supplement, the annual reports, which include the annual financial statements of the Issuer and any amendments or supplements to the aforementioned documents. the JSE expressly disclaims any liability for loss arising from or in reliance upon the whole or any part of the aforementioned documents. The JSE's approval of the registration of the Programme Memorandum and listing of the Notes is not to be taken in any way as an indication of the merits of the Issuer or of the Notes and that, to the extent permitted by law, the JSE will not be liable for any claim whatsoever.

[The Issuer confirms that as at the date of this Applicable Pricing Supplement, there has been no material change in the financial or trading position of the Issuer and its subsidiaries since the date of the Issuer's latest audited financial statements. As at the date of this Applicable Pricing Supplement, Auditors of the Issuer have not reviewed or reported on the aforementioned statement.]

The authorised Programme Amount of ZAR5,000,000,000 has not been exceeded.

Application [is hereby]/[will not be] made to list this issue of Notes [**on • ••••**].

**SIGNED** at \_\_\_\_\_ on this \_\_\_\_\_ day of \_\_\_\_\_ 20●●

For and on behalf of  
**SAPPI SOUTHERN AFRICA LIMITED**

\_\_\_\_\_  
Name:  
Capacity: Director  
Who warrants her/his authority hereto

\_\_\_\_\_  
Name:  
Capacity: Director  
Who warrants her/his authority hereto

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## TERMS AND CONDITIONS OF THE NOTES

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*The following are the Terms and Conditions of the Notes to be issued by the Issuer which will be incorporated by reference into each Note. Each Tranche of Notes will be issued on, and subject to, the Terms and Conditions below, as replaced, amended and/or supplemented by the terms and conditions of that Tranche of Notes as set out in the Applicable Pricing Supplement.*

Before the Issuer issues any Tranche of listed Notes, the Issuer shall complete, sign and deliver to the JSE or such other or further Financial Exchange(s) and the CSD a pricing supplement based on the *pro forma* Applicable Pricing Supplement included in the Programme Memorandum setting out details of such Notes. The Issuer may determine that particular Notes will not be listed on the Interest Rate Market of the JSE or such other Financial Exchanges and, in that case, no Applicable Pricing Supplement will be delivered to JSE or such other or further Financial Exchange(s).

If there is any conflict or inconsistency between provisions set out in the Applicable Pricing Supplement and the provisions set out in these Terms and Conditions of the Notes, then the provisions in the Applicable Pricing Supplement will prevail.

Words and expressions used in the Applicable Pricing Supplement shall have the same meanings where used in these Terms and Conditions unless the context otherwise requires or unless otherwise stated. Any reference to legislation or a statute shall be to such legislation or statute as amended, varied or re-enacted from time to time.

### 1. INTERPRETATION

In these Terms and Conditions, unless inconsistent with the context or separately defined in the Applicable Pricing Supplement, the following expressions shall have the following meanings:

<b>Affiliate</b>	in relation to any Person, a Subsidiary of that Person or a Holding Company of that Person or any other Subsidiary of that Holding Company;
<b>Applicable Laws</b>	in relation to any Person, all and any statutes and subordinate legislation and common law, regulations, ordinances and by-laws, directives, codes of practice, circulars, guidance notices, judgments and decisions of any competent authority, or any governmental, intergovernmental or supranational body, agency, department or regulatory, self-regulatory or other authority or organisation and other similar provisions, from time to time, compliance with which is mandatory for that Person;
<b>Applicable Pricing Supplement</b>	in relation to a Tranche of Notes, the pricing supplement completed and signed by the Issuer in relation to that Tranche of Notes, setting out the additional and/or other terms and conditions as are applicable to that Tranche of Notes, based upon the <i>pro forma</i> pricing supplement which is set out in the section of the Programme Memorandum headed “ <i>Pro Forma Applicable Pricing Supplement</i> ”;
<b>Applicable Procedures</b>	the rules and operating procedures for the time being of the CSD, the Participants and the Debt Listings Requirements (including the disclosure requirements) of the JSE and/or any other Financial Exchange;
<b>Banks Act</b>	the Banks Act, 1990;
<b>Beneficial Interest</b>	in relation to a Tranche of Notes which is held in the CSD, the beneficial interest as co-owner of an undivided share of all of the Notes in that Tranche, as contemplated in section 37(1) of the Financial Markets Act, the nominal value of which beneficial interest, in relation to any number of Notes in that Tranche, is determined by reference to the proportion that the aggregate outstanding Nominal Amount of such number of Notes bears to the aggregate outstanding Nominal Amount of all of the Notes in that Tranche, as provided in section 37(3) of the Financial Markets Act;



<b>JSE Debt Guarantee Fund Trust</b>	the guarantee fund trust established and operated by the JSE as a separate guarantee fund, in terms of sections 8(1)(h) and 17(2)(w) of the Financial Markets Act or any successor fund;
<b>Books Closed Period</b>	in relation to a Tranche of Notes, the period, as specified in the Applicable Pricing Supplement, commencing after the Last Day to Register, during which transfers of the Notes will not be registered, or such shorter period as the Issuer may decide in order to determine those Noteholders entitled to receive principal and/or interest;
<b>Business Day</b>	a day (other than a Saturday or Sunday or public holiday within the meaning of the Public Holidays Act, 1994) on which commercial banks settle ZAR payments in Johannesburg, save that if the Applicable Pricing Supplement so provides, “ <i>Business Day</i> ” shall include a Saturday;
<b>Calculation Agent</b>	Nedbank, unless the Issuer elects to appoint, in relation to a particular Tranche or Series of Notes, another entity as Calculation Agent in respect of that Tranche or Series of Notes, as indicated in the Applicable Pricing Supplement;
<b>Class of Notes</b>	a particular Series of Notes in relation to other Series of Notes;
<b>Class of Noteholders</b>	the holders of a Series of Notes or, where appropriate, the holders of different Series of Notes;
<b>Commercial Paper Regulations</b>	the commercial paper regulations of 14 December 1994 issued pursuant to paragraph (cc) of the definition of “ <i>the business of a bank</i> ” in the Banks Act, set out in Government Notice 2172 and published in Government Gazette 16167 of 14 December 1994;
<b>Companies Act</b>	the Companies Act, 2008;
<b>CSD</b>	Strate Proprietary Limited (registration number 1998/022242/07), a private company with limited liability incorporated in accordance with the company laws of South Africa and registered as a central securities depository in terms of the Financial Markets Act or its nominee, licensed as a central securities depository in terms of the Financial Markets Act or any successor depository, or any additional or alternate depository approved by the Issuer;
<b>Day</b>	a Gregorian calendar day unless qualified by the word “ <i>Business</i> ”;
<b>Day Count Fraction</b>	<p>in relation to a Tranche of Notes (where applicable) and the calculation of an amount for any period of time (the <b>Calculation Period</b>), the Day Count Fraction specified as such in the Terms and Conditions or the Applicable Pricing Supplement and:</p> <ol style="list-style-type: none"> <li>(a) if <b>Actual/365 (Fixed)</b> or <b>Act/365 (Fixed)</b> or <b>A/365(Fixed)</b> or <b>A/365F</b> is so specified, means the actual number of Days in the Calculation Period in respect of which payment is being made divided by 365;</li> <li>(b) if <b>Actual/Actual (ICMA)</b> or <b>Act/Act (ICMA)</b> is so specified, means: <ol style="list-style-type: none"> <li>1. where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of Days in the Calculation Period divided by the product of (1) the actual number of Days in such Regular Period and (2) the number of Regular Periods in any year; and</li> <li>2. where the calculation Period is longer than one Regular Period, the sum of: <ol style="list-style-type: none"> <li>a. the actual number of Days in such Calculation</li> </ol> </li> </ol> </li> </ol>

Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of Days in such Regular Period and (2) the number of Regular Periods in any year; and

- b. the actual number of Days in such Calculation Period falling in the next Regular Period divided by the product of (1) the actual number of Days in such Regular Period and (2) the number of Regular Periods normally ending in any year;
- (c) if **Actual/Actual**, **Actual/Actual (ISDA)**, **Act/Act** or **Act/Act (ISDA)** is so specified, means the actual number of Days in the Calculation Period in respect of which payment is being made divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of Days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of Days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (d) if **Actual/360**, **Act/360** or **A/360** is so specified, means the actual number of Days in the Calculation Period in respect of which payment is being made divided by 360;
- (e) if **30/360**, **360/360** or **Bond Basis** is so specified, means the number of Days in the Calculation Period in respect of which payment is being made divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

**Y<sub>1</sub>** is the year, expressed as a number, in which the first Day of the Calculation Period falls;

**Y<sub>2</sub>** is the year, expressed as a number, in which the first Day immediately following the last Day included in the Calculation Period falls;

**M<sub>1</sub>** is the calendar month, expressed as a number, in which the first Day of the Calculation Period falls;

**M<sub>2</sub>** is the calendar month, expressed as a number, in which the first Day immediately following the last Day included in the Calculation Period falls;

**D<sub>1</sub>** is the first Day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

**D<sub>2</sub>** is the Day, expressed as a number, immediately following the last Day included in the Calculation Period unless such number would be 31 and D<sub>1</sub> is greater than 29, in which case D<sub>2</sub> will be 30;

- (f) if **30E/360** or **Eurobond Basis** is so specified, means the number of Days in the Calculation Period in respect of which payment is being made divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

**Y<sub>1</sub>** is the year, expressed as a number, in which the first Day of the Calculation Period falls;

**Y<sub>2</sub>** is the year, expressed as a number, in which the Day immediately following the last Day included in the Calculation Period falls;

**M<sub>1</sub>** is the calendar month, expressed as a number, in which the first Day of the Calculation Period falls;

**M<sub>2</sub>** is the calendar month, expressed as a number, in which the Day immediately following the last Day included in the Calculation Period falls;

**D<sub>1</sub>** is the first Day, expressed as a number, of the Calculation Period unless such number would be 31, in which case D<sub>1</sub> will be 30; and

**D<sub>2</sub>** is the Day, expressed as a number, immediately following the last Day included in the Calculation Period unless such number would be 31, in which case D<sub>2</sub> will be 30; and

- (g) if **30E/360 (ISDA)** is so specified, means the number of Days in the Calculation Period in respect of which payment is being made divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

**Y<sub>1</sub>** is the year, expressed as a number, in which the first Day of the Calculation Period falls;

**Y<sub>2</sub>** is the year, expressed as a number, in which the Day immediately following the last Day included in the Calculation Period falls;

**M<sub>1</sub>** is the calendar month, expressed as a number, in which the first Day of the Calculation Period falls;

**M<sub>2</sub>** is the calendar month, expressed as a number, in which the Day immediately following the last Day included in the Calculation Period falls;

**D<sub>1</sub>** is the first Day, expressed as a number, of the Calculation Period unless (i) that Day is the last Day of February or (ii) such number would be 31, in which case D<sub>1</sub> will be 30; and

**D<sub>2</sub>** is the Day, expressed as a number, immediately following the last Day included in the Calculation Period unless (i) that Day is the last Day of February but not the Maturity Date or (ii) such number would be 31, in which case D<sub>2</sub> will be 30;

**Dealers**

Nedbank, RMB and Investec and/or any other entity appointed as a Dealer by the Issuer, which appointment may be for a specific issue or on an on-going basis, subject to the Issuer's right to terminate the appointment of any such Dealer(s), as indicated in the Applicable Pricing Supplement;

**Default Rate**

in relation to a Tranche of Notes, the Interest Rate applicable to such Notes or the default rate specified as such in the Applicable Pricing Supplement;

**Dual Currency Notes**

Notes which pay interest in a base currency and the principal in a non-base currency or *vice versa*, as indicated in the Applicable Pricing Supplement;

**Early Redemption**

in relation to a Tranche of Notes, the amount, as set out in

<b>Amount</b>	Condition 10.7 ( <i>Early Redemption Amounts</i> ), at which the Notes will be redeemed by the Issuer, pursuant to the provisions of Conditions 10.2 ( <i>Redemption for Tax Reasons</i> ), 10.3 ( <i>Redemption at the Option of the Issuer</i> ), 10.4 ( <i>Redemption at the Option of the Senior Noteholders</i> ), 10.5 ( <i>Redemption in the event of a Change of Control</i> ), 10.6 ( <i>Redemption in the event of a failure to maintain JSE Listing and Rating</i> ) and/or Condition 16 ( <i>Events of Default</i> );
<b>Encumbrances</b>	any mortgage, pledge, hypothecation, assignment, cession <i>in securitatem debiti</i> , deposit by way of security or any other agreement or arrangement (whether conditional or not and whether relating to existing or to future assets), having the effect of providing a security interest to a creditor or any agreement or arrangement to give any form of a secured claim to a creditor but excluding statutory preferences or any security interest arising by operation of law and for the avoidance of doubt, any guarantee;
<b>Event of Default</b>	in relation to a Series of Notes, any of the events described in Condition 16 ( <i>Events of Default</i> );
<b>Exchangeable Notes</b>	Notes which may be redeemed by the Issuer in the manner indicated in the Applicable Pricing Supplement by the delivery to the Noteholders of cash or of so many of the Exchange Securities as is determined in accordance with the Applicable Pricing Supplement;
<b>Exchange Control Regulations</b>	the Exchange Control Regulations, 1961, promulgated pursuant to the Currency and Exchanges Act, 1933;
<b>Exchange Period</b>	in relation to a Tranche of Exchangeable Notes, in respect of Exchangeable Notes to which the Noteholders' Exchange Right applies (as indicated in the Applicable Pricing Supplement), the period indicated in the Applicable Pricing Supplement during which such right may be exercised;
<b>Exchange Price</b>	in relation to a Tranche of Exchangeable Notes, the amount determined in accordance with the manner described in the Applicable Pricing Supplement, according to which the number of Exchange Securities which may be delivered in redemption of an Exchangeable Note will be determined;
<b>Exchange Securities</b>	in relation to a Tranche of Exchangeable Notes, the securities indicated in the Applicable Pricing Supplement which may be delivered by the Issuer in redemption of the Exchangeable Notes to the value of the Exchange Price;
<b>Extraordinary Resolution</b>	<ul style="list-style-type: none"> <li>(i) a resolution in writing signed no later than 20 Business Days of receiving notice of the written resolution by or on behalf of the Noteholders or a Class of Noteholders holding not less than 66.67% (sixty-six point sixty-seven percent) in Nominal Amount of the Notes Outstanding from time to time or a specific Class of Notes, as the case may be, or</li> <li>(ii) a resolution passed at a meeting (duly convened) of the Noteholders or Class of Noteholders, as the case may be, holding not less than 66.67% (sixty-six point sixty-seven percent) of the votes given on a poll or if a vote by show of hands be duly demanded, then by a majority consisting of not less than 66.67% (sixty-six point sixty-seven percent) of the Persons voting at such meeting on a show of hands;</li> </ul>
<b>Final Broken Amount</b>	in relation to a Tranche of Fixed Rate Notes, the final broken amount specified as such in the Applicable Pricing Supplement;
<b>Final Redemption Amount</b>	in relation to a Tranche of Notes, the amount of principal specified in the Applicable Pricing Supplement payable in respect of such

	Tranche of Notes upon the Maturity Date;
<b>Financial Exchange</b>	the JSE and/or such other or additional financial exchange(s) as may be determined by the Issuer and the relevant Dealer(s), subject to Applicable Laws, and upon which the Notes are listed as specified in the Applicable Pricing Supplement;
<b>Financial Markets Act</b>	the Financial Markets Act, 2012;
<b>Fixed Coupon Amount</b>	in relation to a Tranche of Fixed Rate Notes (where applicable), the amount(s) specified as such in the Applicable Pricing Supplement;
<b>Fixed Interest Payment Date</b>	in relation to a Tranche of Fixed Rate Notes, the date(s) specified as such in the Applicable Pricing Supplement;
<b>Fixed Interest Period</b>	in relation to a Tranche of Fixed Rate Notes, the period from (and including) a Fixed Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Fixed Interest Payment Date or as otherwise set out in the Applicable Pricing Supplement;
<b>Fixed Rate Notes</b>	Notes which will bear interest at the Fixed Rate of Interest, as indicated in the Applicable Pricing Supplement;
<b>Fixed Rate of Interest</b>	in relation to a Tranche of Fixed Rate Notes, the fixed rate of interest specified as such in the Applicable Pricing Supplement;
<b>Floating Rate Notes</b>	Notes which will bear interest at a Floating Rate Interest as indicated in the Applicable Pricing Supplement and more fully described in Condition 8.2 ( <i>Floating Rate Notes and Indexed Interest Notes</i> );
<b>Floating Rate</b>	in relation to a Tranche of Floating Rate Notes, the floating rate of interest specified as such in the Applicable Pricing Supplement;
<b>Higher Redemption Amount</b>	in relation to a Tranche of Notes, the higher redemption amount specified as such in the Applicable Pricing Supplement;
<b>Holding Company</b>	in relation to a company or corporation, any other company or corporation in respect of which it is a Subsidiary;
<b>ICMA</b>	the International Capital Market Association;
<b>IFRS</b>	the International Financial Reporting Standards issued by the International Accounting Standards Board ( <b>IASB</b> ) and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB (as amended, supplemented or re-issued from time to time);
<b>Implied Yield</b>	in relation to a Tranche of Zero Coupon Notes, the yield accruing on the Issue Price of such Notes, as specified in the Applicable Pricing Supplement;
<b>Income Tax Act</b>	the Income Tax Act, 1962;
<b>Indebtedness</b>	in respect of the Issuer, or any Subsidiary, any indebtedness in respect of monies borrowed from any third party lender and (without double counting) guarantees (other than those given in the ordinary course of business) given, whether present or future, actual or contingent;
<b>Indexed Interest Notes</b>	Notes in respect of which the Interest Amount is calculated by reference to an index and/or a formula as indicated in the Applicable Pricing Supplement;
<b>Index-Linked Notes</b>	Indexed Interest Notes and/or an Indexed Redemption Amount Notes, as applicable and as indicated in the Applicable Pricing Supplement;
<b>Indexed Redemption</b>	Notes in respect of which the Final Redemption Amount is calculated

<b>Amount Notes</b>	by reference to an index and/or a formula as may be indicated in the Applicable Pricing Supplement;
<b>Individual Certificate</b>	a Note in the definitive registered form of a single certificate and being a certificate exchanged for Beneficial Interest in accordance with Condition 12 ( <i>Exchange of Beneficial Interests and Replacement of Individual Certificates</i> ) and any further certificate issued in consequence of a transfer thereof;
<b>Initial Broken Amount</b>	in relation to a Tranche of Fixed Rate Notes, the initial broken amount specified as such in the Applicable Pricing Supplement;
<b>Instalment Amount</b>	in relation to a Tranche of Instalment Notes, the amount expressed (in the Applicable Pricing Supplement) as a percentage of the Nominal Amount of an Instalment Note, being an instalment of principal (other than the final instalment) on an Instalment Note;
<b>Instalment Notes</b>	Notes issued on the same date but redeemed in Instalment Amounts by the Issuer on an amortised basis on different Instalment Dates, as specified in the Applicable Pricing Supplement;
<b>Instalment Dates</b>	in relation to a Tranche of Instalment Notes, the dates specified as such in the Applicable Pricing Supplement;
<b>Interest Amount</b>	in relation to a Tranche of Notes, the amount of interest payable in respect of each Nominal Amount of Fixed Rate Notes, Floating Rate Notes and Indexed Interest Notes, as determined by the Calculation Agent in accordance with Condition 8 ( <i>Interest</i> );
<b>Interest Commencement Date</b>	in relation to a Tranche of Floating Rate Notes (where applicable) the first date from which interest on the Notes, other than Zero Coupon Notes, will accrue, as specified in the Applicable Pricing Supplement;
<b>Interest Rate Determination Date</b>	in relation to a Tranche of Fixed Rate Notes, or Floating Rate Notes, as the case may be, the interest rate determination date specified as such in the Applicable Pricing Supplement;
<b>Interest Payment Date</b>	in relation to a Tranche of Notes, the Interest Payment Date(s) and/or the Redemption Date specified in the Applicable Pricing Supplement or, if no express Interest Payment Date(s) is/are specified in the Applicable Pricing Supplement, the last Day of the Interest Period commencing on the preceding Interest Payment Date, or, in the case of the first Interest Payment Date, commencing on the Interest Commencement Date;
<b>Interest Period</b>	in relation to a Tranche of Notes, each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date;
<b>Interest Rate and Rate of Interest</b>	in relation to a Tranche of Notes, the rate or rates of interest applicable to Notes other than Zero Coupon Notes as indicated in the Applicable Pricing Supplement;
<b>Interest Rate Market of the JSE</b>	the separate platform or sub-market of the JSE designated as the " <i>Interest Rate Market</i> ", or such other platform or submarket designated by the JSE from time to time, and on which Notes (and other debt securities) may be listed;
<b>Investec</b>	Investec Bank Limited, acting through its Corporate and Institutional Banking division (registration number 1969/0047631/06), a public company with limited liability and a registered bank duly incorporated in accordance with the company and banking laws of South Africa;
<b>ISDA</b>	the International Swaps and Derivatives Association Inc.;
<b>ISDA Definitions</b>	the 2006 ISDA Definitions published by ISDA (as amended, supplemented, revised or republished from time to time) as specified

	in the Applicable Pricing Supplement;
<b>Issue Date</b>	in relation to a Tranche of Notes, the date specified as such in the Applicable Pricing Supplement;
<b>Issue Price</b>	in relation to a Tranche of Notes, the price specified as such in the Applicable Pricing Supplement;
<b>Issuer</b>	Sappi Southern Africa Limited (registration number 1951/003180/06), a public company with limited liability duly incorporated in accordance with the company laws of South Africa;
<b>Issuer Agent</b>	Nedbank or such other entity appointed by the Issuer as Issuer Agent pursuant to the debt instrument solution system of the CSD in which event that other entity will act as Issuer Agent;
<b>JSE</b>	the JSE Limited (registration number 2005/022939/06), a public company with limited liability duly incorporated in accordance with the company laws of South Africa and a licensed financial exchange in terms of the Financial Markets Act or any exchange which operates as a successor exchange to the JSE;
<b>Last Day to Register</b>	with respect to a particular Tranche of Notes (as specified in the Applicable Pricing Supplement), the last date or dates preceding a Payment Day on which the Transfer Agent, in the case of Notes in certificated form, or the CSD, in the case of Notes in uncertificated form, will accept Transfer Forms or transfers and record the transfer of Notes in the Register for that particular Tranche of Notes and whereafter the Register is closed for further transfers or entries until the Payment Day;
<b>Mandatory Exchange</b>	in relation to a Tranche of Exchangeable Notes, the mandatory exchange specified as such in the Applicable Pricing Supplement;
<b>Margin</b>	in relation to a Tranche of Notes (where applicable), the margin specified as such in the Applicable Pricing Supplement;
<b>Material Group Company</b>	<p>(b) the Issuer; and</p> <p>(c) any company of which the Issuer is a member and which:</p> <p>(i) represents more than 15% (fifteen percent) of the assets of the Issuer or more than 15% (fifteen percent) of the EBITDA of the Issuer as published in the Issuer's latest audited financial statements; or</p> <p>(ii) is a Wholly Owned Subsidiary of the Issuer;</p>
<b>Material Indebtedness</b>	unless otherwise set out in the Applicable Pricing Supplement, any Indebtedness amounting in aggregate to an amount which equals or exceeds ZAR100,000,000 (or its equivalent in other currencies at the time of the occurrence of an Event of Default);
<b>Maturity Date</b>	in relation to a Tranche of Notes, the date specified as such in the Applicable Pricing Supplement;
<b>Minimum Redemption Amount</b>	in relation to a Tranche of Notes, the minimum redemption amount specified as such in the Applicable Pricing Supplement;
<b>Mixed Rate Notes</b>	unlisted Notes which will bear interest over respective periods at differing Interest Rates applicable to any combination of Fixed Rate Notes, Floating Rate Notes, Zero Coupon Notes or Index-Linked Notes, each as indicated in the Applicable Pricing Supplement and as more fully described in Condition 8.4 ( <i>Mixed Rate Notes</i> );
<b>NACA</b>	nominal annual compounded annually;
<b>NACM</b>	nominal annual compounded monthly;

<b>NACQ</b>	nominal annual compounded quarterly;
<b>NACS</b>	nominal annual compounded semi-annually;
<b>Nedbank</b>	Nedbank Limited, acting through its Corporate and Investment Banking division (registration number 1951/000009/06) a public company with limited liability and a registered bank duly incorporated in accordance with the company and banking laws of South Africa;
<b>Nedbank Investor Services</b>	Nedbank Investor Services, a division of Nedbank Limited (registration number 1951/000009/06) a public company with limited liability and a registered bank duly incorporated in accordance with the company and banking laws of South Africa;
<b>Nominal Amount</b>	in relation to any Note, the total amount, excluding interest and any adjustments on account of any formula, owing by the Issuer under the Note;
<b>Noteholders</b>	the registered holders of the Notes as recorded in the Register;
<b>Noteholders' Exchange Right</b>	in relation to a Tranche of Exchangeable Notes, if indicated as applicable in the Applicable Pricing Supplement, the right of Noteholders of Exchangeable Notes to elect to receive delivery of the Exchange Securities in lieu of cash from the Issuer upon redemption of such Notes;
<b>Notes</b>	secured or unsecured registered notes issued or to be issued by the Issuer under the Programme, pursuant to this Programme Memorandum;
<b>Outstanding</b>	<p>in relation to the Notes, all the Notes issued under the Programme other than:</p> <ul style="list-style-type: none"> <li>(a) those which have been redeemed in full;</li> <li>(b) those in respect of which the date for redemption in accordance with the Terms and Conditions has occurred and the redemption monies wherefore (including all interest (if any) accrued thereon to the date for such redemption and any interest (if any) payable under the Terms and Conditions after such date) remain available for payment against presentation of Individual Certificates (if any);</li> <li>(c) those which have been purchased and cancelled as provided in Condition 10 (<i>Redemption and Purchase</i>);</li> <li>(d) those which have become prescribed under Condition 15 (<i>Prescription</i>);</li> <li>(e) those represented by mutilated or defaced Individual Certificates which have been surrendered in exchange for replacement Individual Certificates pursuant to Condition 12 (<i>Exchange of Beneficial Interests and Replacement of Individual Certificates</i>); or</li> <li>(f) (for the purpose only of determining how many Notes are Outstanding and without prejudice to their status for any other purpose) those Notes represented by Individual Certificates alleged to have been lost, stolen or destroyed and in respect of which replacement Individual Certificates have been issued pursuant to Condition 12 (<i>Exchange of Beneficial Interests and Replacement of Individual Certificates</i>),</li> </ul> <p>provided that for each of the following purposes:</p> <ul style="list-style-type: none"> <li>(i) the right to attend and vote at any meeting of the Noteholders;</li> </ul> <p>and</p>



	(ii) the determination of how many and which Notes are for the time being Outstanding for the purposes of Conditions 19 ( <i>Amendment of these Conditions</i> ) and 20 ( <i>Meetings of Noteholders/Consent Process</i> ),
	all Notes (if any) which are for the time being held by the Issuer (subject to any Applicable Laws) or by any Person for the benefit of the Issuer and not cancelled shall (unless and until ceasing to be so held), be deemed not to be Outstanding;
<b>Optional Redemption Amount</b>	in relation to a Tranche of Notes, the optional redemption amount specified as such in the Applicable Pricing Supplement;
<b>Participant</b>	a Person accepted by the CSD as a participant in terms of section 31 of the Financial Markets Act, and who is approved by the CSD, as a Settlement Agent to perform electronic settlement of funds and scrip;
<b>Partly Paid Notes</b>	Unlisted Notes which are issued with the Issue Price partly paid and which Issue Price is paid up fully by the Noteholder in instalments as indicated in the Applicable Pricing Supplement;
<b>Paying Agent</b>	Nedbank Investor Services, unless the Issuer elects to appoint another entity as Paying Agent, in which event that other entity shall act as a Paying Agent in respect of that Tranche or Series of Notes, as indicated in the Applicable Pricing Supplement;
<b>Payment Day</b>	any day which is a Business Day and upon which a payment is due by the Issuer in respect of the Notes;
<b>Permitted Encumbrance</b>	<p>(a) any Encumbrance existing as at the Programme Date; or</p> <p>(b) any Encumbrance with regard to receivables of the Issuer or a Material Group Company or if such Encumbrance is created pursuant to any securitisation or like arrangement in accordance with normal market practice and whereby the Indebtedness secured by such Encumbrance is limited to the value of such receivables (on or about the date of creation of such Encumbrance); or</p> <p>(c) any Encumbrance with respect to inter-company Indebtedness incurred between the Issuer and any Subsidiary or between any Subsidiaries; or</p> <p>(d) any Encumbrance created over any asset acquired, developed or constructed, provided that the Indebtedness so secured shall not exceed the <i>bona fide</i> arms' length market value (on or about the date of the creation of such Encumbrance) of such asset or the cost of that acquisition, development or construction (including all interest and other finance charges, adjustments due to changes in circumstances and other charges reasonably incidental to such cost, whether contingent or otherwise) and where such market value or cost both apply, the higher of the two; or</p> <p>(e) any Encumbrance over deposit accounts securing a loan equal to the amounts standing to the credit of such deposit accounts, including any cash management system; or</p> <p>(f) any Encumbrance created in the ordinary course of business, which includes, stock-in-trade, inventories, accounts receivable or deposit accounts; or</p> <p>(g) any Encumbrance subsisting over any asset of any Subsidiary of the Issuer prior to the date of such entity becoming a Subsidiary of the Issuer and not created in contemplation of such entity</p>

	<p>becoming a Subsidiary of the Issuer and any substitute Encumbrance created over that asset (but in any such case the amount of the Indebtedness secured by such Encumbrance, may not be increased, save in the ordinary course of business as set out in sub-clauses (a) to (f) above; or</p> <p>(h) in addition to any Encumbrance referred to in (a) to (g) above, any Encumbrance securing in aggregate an amount which is equal to or less than ZAR100,000,000;</p>
<b>Person</b>	shall be construed as a reference to any person, firm, company, corporation, government, state or agency of a state or any association or partnership (whether or not having separate legal personality) of two or more of the foregoing;
<b>Previous Programme Memoranda</b>	the programme memoranda dated 22 June 2011 and 13 September 2013, respectively, issued by the Issuer in relation to the Programme;
<b>Programme</b>	Sappi Southern Africa Limited ZAR5,000,000,000 Domestic Medium Term Note Programme under which the Issuer may from time to time issue Notes;
<b>Programme Amount</b>	the maximum aggregate outstanding Nominal Amount of all of the Notes that may be issued under the Programme at any one point in time, being ZAR5,000,000,000 or such increased amount as is determined by the Issuer from time to time, subject to the Applicable Procedures, Applicable Laws and the Programme Agreement, as set out in the section of this Programme Memorandum headed " <i>General Description of the Programme</i> ";
<b>Programme Date</b>	the date of this Programme Memorandum being 23 November 2018;
<b>Rating</b>	in relation to the Issuer and/or the Programme and/or a Tranche of Notes (where applicable), as the case may be, the rating of the Issuer and/or the Programme and/or the Tranche of Notes, as the case may be, granted by the Rating Agency, specified in the Applicable Pricing Supplement;
<b>Rating Agency</b>	Global Credit Rating Co. Proprietary Limited ( <b>GCR</b> ), Standard & Poor's Ratings Services ( <b>S&amp;P</b> ) or Moody's Investors Service Limited ( <b>Moody's</b> ), as the case may be, and their successors or any other rating agency of equivalent national or international standing, as the case may be, as specified from time to time by the Issuer in the Applicable Pricing Supplement (if applicable) and/or notified to Noteholders pursuant to Condition 18 ( <i>Notices</i> );
<b>Redemption Date</b>	in relation to a Tranche of Notes, the date upon which the Notes are redeemed by the Issuer, in accordance with Condition 10 ( <i>Redemption and Purchase</i> );
<b>Reference Banks</b>	four leading banks in the South African inter-bank market selected by the Calculation Agent;
<b>Reference Rate</b>	in relation to a Tranche of Floating Rate Notes (where applicable), the rate specified as such in the Applicable Pricing Supplement;
<b>Reference Price</b>	in relation to a Tranche of Zero Coupon Notes (where applicable), the price specified as such in the Applicable Pricing Supplement;
<b>Register</b>	the register of Noteholders kept by or on behalf of the Issuer in terms of Condition 13 ( <i>Register</i> );
<b>Regular Period</b>	(a) in the case of Notes where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the first Interest Payment Date and each successive period from and including one Interest Payment Date to but

	excluding the next Interest Payment Date;
	<p>(b) in the case of Notes where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where “<b>Regular Date</b>” means the Day and the month (but not the year) on which any Interest Payment Date falls; and</p> <p>(c) in the case of Notes where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where “<b>Regular Date</b>” means the Day and month (but not the year) on which any Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period;</p>
<b>Relevant Screen Page</b>	in relation to a Tranche of Floating Rate Notes (where applicable), the page, section or other part of a particular information service (including, without limitation, Reuters) specified as the Relevant Screen Page in the Applicable Pricing Supplement, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;
<b>Representative</b>	a Person duly authorised to act on behalf of a Noteholder, the Transfer Agent or the Paying Agent, as the case may be, who may be regarded by the Issuer (acting in good faith) as being duly authorised based upon the tacit or express representation thereof by such Representative, in the absence of express notice to the contrary from such Noteholder, the Transfer Agent and the Paying Agent;
<b>RMB</b>	Rand Merchant Bank, a division of FirstRand Bank Limited (registration number 1929/001225/06) a public company with limited liability and a registered bank duly incorporated in accordance with the company and banking laws of South Africa;
<b>Sappi Group</b>	the Issuer and each Subsidiary of the Issuer from time to time whose financial results are consolidated with the financial results of the Issuer in accordance with IFRS;
<b>Senior Noteholders</b>	the Noteholders of Senior Notes;
<b>Senior Notes</b>	Notes issued with the status and characteristics set out in Condition 5 ( <i>Status of Senior Notes</i> ), as indicated in the Applicable Pricing Supplement;
<b>SENS</b>	the Stock Exchange News Service;
<b>Series</b>	<p>a Tranche of Notes together with any further Tranche or Tranches of Notes which are:</p> <p>(a) expressed to be consolidated and form a single series; and</p> <p>(b) identical in all respects (including as to listing) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices;</p>
<b>Settlement Agent</b>	a Participant, approved by the CSD in terms of the Applicable Procedures to perform electronic settlement of both funds and scrip on behalf of market participants;
<b>Specified Currency</b>	in relation to each Note in a Tranche of Notes, subject to all Applicable Laws, the currency specified in the Applicable Pricing

	Supplement;
<b>Specified Denomination</b>	in relation to each Note in a Tranche of Notes, the amount specified as such in the Applicable Pricing Supplement;
<b>Specified Office</b>	the office of the Transfer Agent, the Paying Agent and/or the Calculation Agent as specified in the Applicable Pricing Supplement;
<b>South Africa</b>	the Republic of South Africa;
<b>Subordinated Indebtedness</b>	in the event of the dissolution of the Issuer or if the Issuer is wound up or placed in liquidation or is subject to business rescue proceedings, any indebtedness of the Issuer, including any guarantee by the Issuer, under which the right of payment of the Person(s) entitled thereto is, or is expressed to be, or is required by any present or future agreement of the Issuer to be, subordinated to the rights of all unsubordinated creditors of the Issuer;
<b>Subordinated Notes</b>	Notes issued with the status and characteristics set out in Condition 6 ( <i>Status and Characteristics of Subordinated Notes</i> ), as indicated in the Applicable Pricing Supplement;
<b>Subsidiary</b>	a subsidiary company as defined in section 3(1)(a) of the Companies Act;
<b>Sub-unit</b>	with respect to any currency, the lowest amount of such currency that is available as legal tender in the country of such currency;
<b>Terms and Conditions</b>	the terms and conditions incorporated in this section headed “ <i>Terms and Conditions of the Notes</i> ” and in accordance with which the Notes will be issued;
<b>Tranche</b>	in relation to any particular Series, all Notes which are identical in all respects (including as to listing);
<b>Transfer Agent</b>	Nedbank, unless the Issuer elects to appoint another entity as a Transfer Agent in which event that other entity shall act as a Transfer Agent in respect of that Tranche or Series of Notes, as indicated in the Applicable Pricing Supplement;
<b>Transfer Form</b>	the written form for the transfer of a Note, in the form approved by the Transfer Agent, and signed by the transferor and transferee;
<b>Wholly Owned Subsidiary</b>	a wholly owned subsidiary as defined in Section 3(1)(b) of the Companies Act;
<b>ZAR</b>	the lawful currency of South Africa, being South African Rand, or any successor currency;
<b>ZAR-JIBAR-SAFEX</b>	the mid-market rate for deposits in ZAR for a period of the Designated Maturity (as indicated in the Applicable Pricing Supplement) that appears on the Reuters Screen SAFEX Page as at 11h00, Johannesburg time on the relevant date; and
<b>Zero Coupon Notes</b>	Notes which will be offered and sold at a discount to their Nominal Amount or at par and will not bear interest other than in the case of late payment, as indicated in the Applicable Pricing Supplement.

## 2. ISSUE

- 2.1. The Issuer may, at any time and from time to time (without the consent of any Noteholder), issue one or more Tranche(s) of Notes pursuant to the Programme, provided that the aggregate outstanding Nominal Amount of all of the Notes issued under the Programme from time to time (including all Notes issued under the Programme pursuant to the Previous Programme Memoranda) does not exceed the Programme Amount.
- 2.2. Notes will be issued in individual Tranches which, together with other Tranches, may form a Series of Notes. A Tranche of Notes will be issued on, and subject to, the Terms and Conditions, as replaced, amended and/or supplemented by the terms and conditions of that

Tranche of Notes set out in the Applicable Pricing Supplement relating to that Tranche of Notes.

- 2.3. Each Note, may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index-Linked Note, a Dual Currency Note, a Mixed Rate Note or such combination of any of the foregoing or such other type of Note as may be determined by the Issuer and specified in the relevant Applicable Pricing Supplement.
- 2.4. All payments in relation to the Notes will be made in the Specified Currency. Each Note will be issued in the Specified Denomination.
- 2.5. The Terms and Conditions of a Tranche of Notes are incorporated by reference into the Individual Certificate(s) (if any) representing the Notes in that Tranche. The Applicable Pricing Supplement relating to a Tranche of Notes issued in certificated form will be attached to the Individual Certificate(s) representing the Notes in that Tranche.

### 3. FORM AND DENOMINATION

#### 3.1. General

- 3.1.1. A Tranche of Notes may be issued in the form of listed or unlisted Notes, as specified in the Applicable Pricing Supplement.
- 3.1.2. A Tranche of Notes may be listed on the Interest Rate Market of the JSE or on such other or further Financial Exchange(s) as may be determined by the Issuer and the relevant Dealer(s), subject to any Applicable Laws and Applicable Procedures. Unlisted Notes may also be issued under the Programme. The Applicable Pricing Supplement will specify whether or not a Tranche of Notes will be listed and if so, the Financial Exchange on which such Tranche of Notes will be listed.

#### 3.2. Registered Notes

A Tranche of Notes will be issued in certificated form or in uncertificated form, as contemplated in Condition 3.2.1 (*Notes issued in certificated form*) and Condition 3.2.2 (*Notes issued in uncertificated form*), as specified in the Applicable Pricing Supplement. Each Tranche of Notes which is listed on the Interest Rate Market of the JSE will be held in the CSD, as contemplated in Condition 3.2.2 (*Notes issued in uncertificated form*). A Tranche of unlisted Notes may also be held in the CSD, as contemplated in Condition 3.2.3 (*Beneficial Interests in Notes held in the CSD*).

##### 3.2.1. **Notes issued in certificated form**

All Notes issued in certificated form will be represented by Individual Certificates.

##### 3.2.2. **Notes issued in uncertificated form**

A Tranche of Notes which is listed on the Interest Rate Market of the JSE must, subject to Applicable Laws and Applicable Procedures, be issued in uncertificated form in terms of section 33 of the Financial Markets Act. Notes issued in uncertificated form will be held in the CSD. Notes issued in uncertificated form will not be represented by any certificate or written instrument. A Note which is represented by an Individual Certificate may be replaced by uncertificated securities in terms of section 33 of the Financial Markets Act.

##### 3.2.3. **Beneficial Interests in Notes held in the CSD**

- (i) A Tranche of Notes which is listed on the Interest Rate Market of the JSE will be issued in uncertificated form and held in the CSD. A Tranche of unlisted Notes may also be held in the CSD.
- (ii) The CSD will hold Notes subject to the Financial Markets Act and the Applicable Procedures.
- (iii) All amounts to be paid in respect of Notes held in the CSD will be paid to the relevant Participant for the holders of Beneficial Interests in such Notes.
- (iv) A holder of a Beneficial Interest shall only be entitled to exchange such Beneficial Interest for Notes represented by an Individual Certificate in accordance with Condition 12 (*Exchange of Beneficial Interests and Replacement of Individual Certificates*).

#### 3.2.4. **Recourse to the JSE Debt Guarantee Fund Trust**

The holders of Notes that are not listed on the Interest Rate Market of the JSE will have no recourse against the JSE or the JSE Debt Guarantee Fund Trust. Claims against the JSE Debt Guarantee Fund Trust may only be made in respect of the trading of Notes listed on the Interest Rate Market of the JSE and in accordance with the rules of the JSE Debt Guarantee Fund Trust. Unlisted Notes are not regulated by the JSE.

### 4. **TITLE**

#### 4.1. **Notes issued in certificated form**

- 4.1.1. Each holder of Notes represented by an Individual Certificate will be named in the Register as the registered holder of such Notes.
- 4.1.2. Title to Notes represented by an Individual Certificate will pass upon registration of transfer in the Register in accordance with Condition 14.2 (*Transfer of Notes represented by Individual Certificates*).
- 4.1.3. The Issuer, the Transfer Agent and the Paying Agent shall recognise a Noteholder as the sole and absolute owner of the Notes registered in that Noteholder's name in the Register (notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) and shall not be bound to enter any trust in the Register or to take notice of or to accede to the execution of any trust, express, implied or constructive, to which any Note may be subject.

#### 4.2. **Notes issued in uncertificated form**

The Noteholder(s) will be named in the Register as the registered holder(s) of each Tranche of Notes which is issued in uncertificated form.

#### 4.3. **Beneficial Interests in Notes held in the CSD**

- 4.3.1. While a Tranche of Notes is held in the CSD, the Noteholder will be named in the Register as the Noteholder of the Notes in that Tranche.
- 4.3.2. In relation to each Person shown in the records of the CSD or the relevant Participant, as the case may be, as the holder of a Beneficial Interest in a particular Nominal Amount of Notes, a certificate or other document issued by the CSD or the relevant Participant, as the case may be, as to the aggregate Nominal Amount of such Notes standing to the account of such Person shall be *prima facie* proof of such Beneficial Interest. However, the Noteholder as the registered holder of such Notes named in the Register will be treated by the Issuer, the Paying Agent, the Transfer Agent and the CSD as the holder of that aggregate Nominal Amount of such Notes for all purposes.
- 4.3.3. Beneficial Interests in Notes may be transferred only in accordance with the Applicable Procedures.
- 4.3.4. Any reference in the Terms and Conditions to the relevant Participant shall, in respect of a Beneficial Interest, be a reference to the Participant appointed to act as such by the holder of such Beneficial Interest.

### 5. **STATUS OF SENIOR NOTES**

Unless otherwise set out in the Applicable Pricing Supplement, the Senior Notes are direct, unconditional, unsubordinated and (subject to Condition 7 (*Negative Pledge*)) unsecured obligations of the Issuer and rank *pari passu* and rateably without any preference among themselves and (save for certain debts required to be preferred by law) equally with all other present and future unsecured and unsubordinated obligations of the Issuer from time to time Outstanding.

### 6. **STATUS AND CHARACTERISTICS OF SUBORDINATED NOTES**

- 6.1. Subordinated Notes constitute direct, unconditional, unsecured and subordinated obligations of the Issuer and rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured and subordinated obligations of the Issuer, save for those which have been accorded preferential rights by law, or as otherwise set out in the Applicable Pricing Supplement.

- 6.2. Subject to Applicable Laws, in the event of the dissolution of the Issuer or if the Issuer is placed into liquidation or wound-up or commences business rescue proceedings, the claims of the Persons entitled to payment of amounts due in respect of the Subordinated Notes, shall be subordinated to all other claims in respect of any other indebtedness of the Issuer except for other Subordinated Indebtedness, to the extent that, in any such event, and provided as aforesaid, no amount shall be eligible for setting-off or shall be payable to any or all of the Persons entitled to payment of amounts due in respect of the Subordinated Notes in respect of the obligations of the Issuer thereunder until all other indebtedness of the Issuer which is admissible in any such dissolution, insolvency, business rescue or winding-up (other than Subordinated Indebtedness) has been paid or discharged in full.

## **7. NEGATIVE PLEDGE**

- 7.1. Unless otherwise set out in the Applicable Pricing Supplement, for so long as any Tranche of the Senior Notes remains Outstanding, the Issuer undertakes that it shall not, and shall procure that no Material Group Company shall, create or permit the creation of any Encumbrances other than Permitted Encumbrances over any of their present or future business undertakings, assets or revenues to secure any present or future Indebtedness (save for those which have been accorded a preference by law) without at the same time securing all Senior Notes equally and rateably with such Indebtedness or providing such other security or arrangement as may be approved by Extraordinary Resolution of the Senior Noteholders, unless the provision of any such security is waived by an Extraordinary Resolution of the Senior Noteholders.
- 7.2. The Issuer shall be entitled, but not obliged, to form, or procure the formation of, a trust or special purpose company (or more than one), or appoint, or procure the appointment of, an agent or agents to hold any such rights of security for the benefit or on behalf of such Senior Noteholders.

## **8. INTEREST**

### **8.1. Fixed Rate Notes**

- 8.1.1. Each Fixed Rate Note bears interest on its outstanding Nominal Amount (or, if it is a Partly Paid Note, the amount paid up) from (and including) the Interest Commencement Date specified in the Applicable Pricing Supplement at the rate(s) per annum equal to the Fixed Rate of Interest so specified, payable in arrears on the Fixed Interest Payment Dates in each year up to and including the Maturity Date.
- 8.1.2. The first payment of interest will be made on the Fixed Interest Payment Date next following the Interest Commencement Date.
- 8.1.3. Except as provided in the Applicable Pricing Supplement, the amount of interest payable per Note on each Fixed Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount, provided that:
- 8.1.3.1. if an Initial Broken Amount is specified in the Applicable Pricing Supplement, then the first Interest Amount shall equal the Initial Broken Amount specified in the Applicable Pricing Supplement; and
- 8.1.3.2. if a Final Broken Amount is specified in the Applicable Pricing Supplement, then the final Interest Amount shall equal the Final Broken Amount.
- 8.1.4. If interest is required to be calculated for a period other than a Fixed Interest Period, such interest shall be calculated by applying the Fixed Rate of Interest to each Specified Denomination, multiplying such sum by the applicable Day Count Fraction, as specified in the Applicable Pricing Supplement, and rounding the resultant figure to the nearest Sub-unit of the relevant Specified Currency, half such Sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

### **8.2. Floating Rate Notes and Indexed Interest Notes**

#### **8.2.1. Interest Payment Dates**

Each Floating Rate Note and Indexed Interest Note bears interest on its outstanding Nominal Amount (or, if it is a Partly Paid Note, the amount paid up) from (and including) the

Interest Commencement Date specified in the Applicable Pricing Supplement, and such interest will be payable in arrears on the Interest Payment Date(s) in each year specified in the Applicable Pricing Supplement. Such interest will be payable in respect of each Interest Period (which expression shall, in these Terms and Conditions, mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date).

8.2.2. *Rate of Interest*

The Rate of Interest payable from time to time in respect of the Floating Rate Notes and Indexed Interest Notes will be determined in the manner specified in the Applicable Pricing Supplement.

8.2.3. *Minimum and/or Maximum Rate of Interest*

If the Applicable Pricing Supplement specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of any such Interest Period determined in accordance with the above provisions is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest. If the Applicable Pricing Supplement specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of any such Interest Period determined in accordance with the above provisions is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

8.2.4. *Determination of Rate of Interest and Calculation of Interest Amount*

The Calculation Agent, in the case of Floating Rate Notes and Indexed Interest Notes will at, or as soon as is practicable after, each time at which the Rate of Interest is to be determined, determine the Rate of Interest and calculate the Interest Amount payable in respect of each Floating Rate Note and Indexed Interest Note in respect of each Specified Denomination for the relevant Interest Period, and the Calculation Agent shall notify the Issuer of the Rate of Interest for the relevant Interest Period as soon as is practicable after calculating the same. Each Interest Amount shall be calculated by applying the Rate of Interest to the Specified Denomination, multiplying such sum by the applicable Day Count Fraction and rounding the resultant figure to the nearest Sub-unit of the relevant Specified Currency, half a Sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

8.2.5. *Interest Determination, Screen Rate Determination including Fallback Provisions*

Where ISDA Determination is specified in the Applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the Applicable Pricing Supplement) the Margin (if any). For the purposes of this sub-paragraph, **ISDA Rate** for an Interest Period means a rate equal to the Floating Amount (as defined in the ISDA Definitions) that would be determined by such agent as a notional under an interest rate swap transaction if that agent were acting as calculation agent for that swap transaction under the terms of an agreement incorporating the most recent ISDA Definitions and under which:

- (a) the Floating Rate Option is as specified in the Applicable Pricing Supplement;
- (b) the Designated Maturity is the period specified in the Applicable Pricing Supplement; and
- (c) the relevant Reset Date is either (i) if the applicable Floating Rate Option is ZAR-JIBAR-SAFEX, the first Day of the applicable Interest Period; or (ii) in any other case, as specified in the Applicable Pricing Supplement.

For the purposes of the above sub-paragraph **Floating Rate**, **Floating Rate Option**, **Designated Maturity** and **Reset Date** have the meanings given to those terms in the ISDA Definitions specified in the Applicable Pricing Supplement.

Where Screen Rate Determination is specified in the Applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each



Interest Period will, subject to the provisions below, be either:

- (a) if the Relevant Screen Page is available,
  - (i) the offered quotation (if only one quotation appears on the Relevant Screen Page); or
  - (ii) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage per annum) for the Reference Rate which appears on the Relevant Screen Page as at 11h00 (or as otherwise specified in the Applicable Pricing Supplement) (Johannesburg time) on the Interest Rate Determination Date in question plus or minus (as indicated in the Applicable Pricing Supplement) the Margin (if any), all as determined by the Calculation Agent. If five or more such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations; or

- (b) if the Relevant Screen Page is not available or if, in the case of (a)(i) above, no such offered quotation appears or, in the case of (a)(ii) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph, the Calculation Agent shall request the principal Johannesburg office of each of the Reference Banks to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately 11h00 (Johannesburg time) on the Interest Rate Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place with 0.000005 being rounded upwards) of such offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Calculation Agent; or
- (c) if the Rate of Interest cannot be determined by applying the provisions of (a) and (b) above, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Calculation Agent determines as being the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the rates, as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks offered, at approximately 11h00 (Johannesburg time) on the relevant Interest Rate Determination Date, deposits in an amount approximately equal to the nominal amount of the Notes of the relevant Series, for a period equal to that which would have been used for the Reference Rate to prime banks in the Johannesburg inter-bank market plus or minus (as appropriate) the Margin (if any). If fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the Rate of Interest for the relevant Interest Period will be determined by the Calculation Agent as the arithmetic mean (rounded as provided above) of the rates for deposits in an amount approximately equal to the Nominal Amount of the Notes of the relevant Series, for a period equal to that which would have been used for the Reference Rate, quoted at approximately 11h00 (Johannesburg time) on the relevant Interest Rate Determination Date, by the Reference Banks plus or minus (as appropriate) the Margin (if any). If the Rate of Interest cannot be determined in accordance with the foregoing provisions of this Condition 8.2, the Rate of Interest shall be determined as at the last preceding Interest Rate Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period, in place of the Margin relating to that last preceding Interest Period).

If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the Applicable Pricing Supplement as being other than ZAR-JIBAR-SAFEX, the Rate of Interest in respect of such Notes will be determined as provided in the Applicable Pricing Supplement.

8.2.6. *Notification of Rate of Interest and Interest Amount*

The Issuer will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be announced on SENS and notified to the JSE and the CSD and/or every other relevant exchange or authority as soon as possible after their determination but in any event no later than the 3<sup>rd</sup> (third) Business Day before the relevant Interest Payment Date. Each Interest Amount, Interest Payment Date or effective Rate of Interest, as the case may be, so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) in the event of an extension or shortening of the Interest Period or a change in the effective Rate of Interest. Any such amendment will be promptly notified to the JSE, the CSD and/or every other relevant exchange or authority and to the Noteholders in accordance with Condition 18 (*Notices*) and at least three Business Days prior to the relevant Interest Payment Date.

8.2.7. *Certificates to be Final*

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 8.2, by the Calculation Agent shall (in the absence of wilful deceit, bad faith or manifest error or proven error) be binding on the Issuer and all Noteholders and in the absence as aforesaid no liability to the Issuer or the Noteholders shall attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

8.3. **Dual Currency Interest Notes**

In the case of Dual Currency Interest Notes, the Interest Rate or Interest Amount payable shall be determined in the manner specified in the Applicable Pricing Supplement.

8.4. **Mixed Rate Notes**

Only unlisted Mixed Rates Notes may be issued under the Programme. The Interest Rate payable from time to time on Mixed Rate Notes shall be the Interest Rate payable on the form of interest-bearing Note (be it a Fixed Rate Note, Floating Rate Note, Index-Linked Note or Dual Currency Note) specified for each respective period, each as specified in the Applicable Pricing Supplement. During each such applicable period, the Interest Rate on the Mixed Rate Notes shall be determined and fall due for payment on the basis that such Mixed Rate Notes are Fixed Rate Notes, Floating Rate Notes, Index-Linked Notes or Dual Currency Notes, as the case may be.

8.5. **Accrual of Interest**

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date of its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue at the Default Rate specified in the Applicable Pricing Supplement until the date on which all amounts due in respect of such Note have been paid, or, in respect of uncertificated Notes, the date on which the full amount of the money payable has been received by the CSD and/or the Participants and notice to that effect has been given to Noteholders in accordance with Condition 18 (*Notices*).

8.6. **Business Day Convention**

If any Interest Payment Date (or other date), which is specified in the Applicable Pricing Supplement to be subject to adjustment in accordance with a Business Day Convention, would otherwise fall on a Day that is not a Business Day, then, if the Business Day Convention specified is:

- (a) the **Floating Rate Business Day Convention**, such Interest Payment Date (or other date) shall be postponed to the next Day which is a Business Day unless it would thereby fall into the next calendar month, in which event: (i) such Interest Payment Date (or other date) shall be brought forward to the first preceding Business Day and (ii) each subsequent Interest Payment Date (or other date) shall be the last Business Day in the month which falls the number of months, or other period specified as the Interest Period in the Applicable Pricing Supplement, after the preceding applicable Interest Payment Date (or other date) has occurred; or

- (b) the **Following Business Day Convention**, such Interest Payment Date (or other date) shall be postponed to the next Day which is a Business Day; or
- (c) the **Modified Following Business Day Convention**, such Interest Payment Date (or other date) shall be postponed to the next Day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date (or other such date) shall be brought forward to the first preceding Business Day; or
- (d) the **Preceding Business Day Convention**, such Interest Payment Date (or other date) shall be brought forward to the first preceding Business Day.

## 9. PAYMENTS

### 9.1. General

- 9.1.1. Payments of principal and/or interest on an Individual Certificate shall be made to the registered holder of such Note, as set forth in the Register on the close of business on the Last Day to Register (as specified in the Applicable Pricing Supplement). In addition to the above, in the case of a final redemption payment, the holder of the Individual Certificate shall be required, on or before the Last Day to Register prior to the Maturity Date, to surrender such Individual Certificate at the offices of the Transfer Agent.
- 9.1.2. Payments of principal and/or interest in respect of uncertificated Notes shall be made to the CSD, in the name of, and for, the account of the CSD and/or holder or the Participants, as shown in the Register on the Last Day to Register pursuant to the Applicable Procedures, and the Issuer will be discharged of its payment obligations by proper payment in the name of, and for, the account of the CSD and/or holder or the Participants, in respect of each amount so paid. Each of the Persons shown in the records of the CSD and the Participants, as the case may be, shall look solely to the CSD or the Participant, as the case may be, for his/her share of each payment so made by the Issuer to the registered holder of such uncertificated Notes.
- 9.1.3. Payment will be subject, in all cases, to any Applicable Law, but without prejudice to the provisions of Condition 11 (Taxation).

### 9.2. Method of Payment

- 9.2.1. Payments will be made in the Specified Currency by credit or transfer, by means of electronic settlement, to the Noteholder.
- 9.2.2. Payments will be subject in all cases to any fiscal or other laws, directives and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 11 (*Taxation*).
- 9.2.3. If the Issuer is prevented or restricted directly or indirectly from making any payment by electronic funds transfer in accordance with the preceding paragraph (whether by reason of strike, lockout, fire, explosion, floods, riot, war, accident, act of God, embargo, legislation, shortage of or breakdown in facilities, civil commotion, unrest or disturbances, cessation of labour, Government interference or control or any other cause or contingency beyond the control of the Issuer), the Issuer shall make such payment by cheque marked "not transferable" (or by such number of cheques as may be required in accordance with applicable banking law and practice to make payment of any such amounts). Such payments by cheque shall be sent by post to the address of the Noteholder as set forth in the Register or, in the case of joint Noteholders, the address set forth in the Register of that one of them who is first named in the Register in respect of that Note.
- 9.2.4. Each such cheque shall be made payable to the relevant Noteholder or, in the case of joint Noteholders, the first one of them named in the Register. Cheques may be posted by ordinary post, provided that neither the Issuer, the Paying Agent, the CSD nor the Participant shall be responsible for any loss in transmission and the postal authorities shall be deemed to be the agent of the Noteholders for the purposes of all cheques posted in terms of this Condition 9.2.
- 9.2.5. In the case of joint Noteholders with respect to Notes in certificated form, payment by

electronic funds transfer will be made to the account of the Noteholder first named in the Register. Payment by electronic transfer to the Noteholder first named in the Register shall discharge the Issuer of its relevant payment obligations under the Notes.

### 9.3. **Payment Day**

9.3.1. Notwithstanding anything to the contrary contained in these Terms and Conditions, if the date for payment of any amount payable in respect of any Note is not a Business Day, then:

9.3.1.1. if a Business Day convention is not specified in the Applicable Pricing Supplement, such date for payment shall be the following Business Day; and

9.3.1.2. if a Business Day convention is specified in the Applicable Pricing Supplement, such date for payment shall be adjusted according to such Business Day convention.

9.3.2. In respect of Floating Rate Notes, interest shall accrue to and be paid on the relevant Payment Day. In respect of Fixed Rate Notes, the holder shall not be entitled to further interest or other payment in respect of such delayed payment.

### 9.4. **Interpretation of Principal and Interest**

Any reference in these Terms and Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

9.4.1. any additional amounts which may be payable with respect to principal under Condition 11 (*Taxation*);

9.4.2. the Final Redemption Amount of the Notes or the Early Redemption Amount of the Notes, as the case may be;

9.4.3. the Optional Redemption Amount(s) (if any), as specified in the Applicable Pricing Supplement, of the Notes;

9.4.4. in relation to Instalment Notes, the Instalment Amounts;

9.4.5. in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 10.7.3); and

9.4.6. any premium and any other amounts which may be payable by the Issuer under or in respect of the Notes, but excluding for the avoidance of doubt, interest.

Any reference in these Terms and Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 11 (*Taxation*).

## 10. **REDEMPTION AND PURCHASE**

### 10.1. **Redemption at Maturity**

Unless previously redeemed or purchased and cancelled as specified below, each Note will be redeemed by the Issuer in the Specified Currency at its Final Redemption Amount plus interest (if any) specified in, or determined in the manner specified in, the Applicable Pricing Supplement on the Maturity Date.

### 10.2. **Redemption for Tax Reasons**

Notes may be redeemed at the option of the Issuer at any time (in the case of Notes other than Floating Rate Notes, Indexed Interest Notes or Mixed Rate Notes having an Interest Rate then determined on a floating or indexed basis) or on any Interest Payment Date (in the case of Floating Rate Notes, Indexed Interest Notes or Mixed Rate Notes), on giving not less than 30 (thirty) Days nor more than 60 (sixty) Days notice to the Noteholders prior to such redemption, in accordance with Condition 18 (*Notices*) (which notice shall be irrevocable, certified by 2 (two) authorised directors of the Issuer and include particulars of the relevant change pursuant to Condition 10.2.1 below), if the Issuer, immediately prior to the giving of such notice, is of the reasonable opinion that:

10.2.1. as a result of any change in, or amendment to, the laws or regulations of South Africa or any political sub-division of, or any authority in, or of, South Africa having power to tax, or any change or amendment which becomes effective after the relevant Issue Date, the

Issuer is or would be required to pay additional amounts as provided or referred to in Condition 11 (*Taxation*); and

- 10.2.2. the requirement cannot be avoided by the Issuer taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 (ninety) Days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due. Notes may be redeemed by the Issuer in accordance with this Condition 10.2 (*Redemption for Tax Reasons*) in whole or in part. A redemption in part may be effected by the Issuer:

- 10.2.2.1. notwithstanding that such partial redemption may not entirely avoid such obligation to pay additional amounts as provided for or referred to in Condition 11 (*Taxation*); and
- 10.2.2.2. *mutatis mutandis* in the manner described in Condition 10.3 (*Redemption at the Option of the Issuer*), provided that the references to the giving of notice therein and to the Minimum Redemption Amount and the Higher Redemption Amount (both as specified in the Applicable Pricing Supplement) therein shall be disregarded for such purposes.

Notes redeemed for tax reasons pursuant to this Condition 10.2 (*Redemption for Tax Reasons*) will be redeemed at their Early Redemption Amount referred to in Condition 10.7 (*Early Redemption Amounts*), together (if appropriate) with interest accrued from (and including) the immediately preceding Interest Payment Date to (but excluding) the date of redemption or as specified in the Applicable Pricing Supplement.

10.3. **Redemption at the Option of the Issuer**

If the Issuer is specified in the Applicable Pricing Supplement as having an option to redeem, the Issuer may, having given not less than 30 (thirty) Days nor more than 60 (sixty) Days irrevocable notice to the Noteholders in accordance with Condition 18 (*Notices*) or unless otherwise specified with the Applicable Pricing Supplement, redeem all or some of the Notes (to which such Applicable Pricing Supplement relates) then Outstanding on the Optional Redemption Date(s) and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the Applicable Pricing Supplement, together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date(s).

Any such redemption must be of a Nominal Amount equal to the Minimum Redemption Amount or a Higher Redemption Amount, both as indicated in the Applicable Pricing Supplement.

In the case of a partial redemption of Notes, the Notes to be redeemed (**Redeemed Notes**) will be selected individually by lot, in the case of Redeemed Notes represented by Individual Certificates, and in accordance with the Applicable Procedures in the case of Redeemed Notes which are uncertificated, and in each case not more than 30 (thirty) Days prior to the date fixed for redemption (such date of selection being hereinafter called the **Selection Date**).

In the case of Redeemed Notes represented by Individual Certificates, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 18 (*Notices*) not less than 15 (fifteen) Days prior to the date fixed for redemption. The aggregate Nominal Amount of Redeemed Notes represented by Individual Certificates shall bear the same proportion to the aggregate Nominal Amount of all Redeemed Notes as the aggregate Nominal Amount of Individual Certificates outstanding bears to the aggregate Nominal Amount of the Notes Outstanding, in each case on the Selection Date, provided that such first mentioned Nominal Amount shall, if necessary, be rounded downwards to the nearest integral multiple of the Specified Denomination and the aggregate Nominal Amount of Redeemed Notes which are uncertificated shall be equal to the balance of the Redeemed Notes. No exchange of the relevant uncertificated Notes will be permitted during the period from and including the Selection Date to and including the date fixed for redemption pursuant to this sub-paragraph, and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 18 (*Notices*) at least 10 (ten) Days prior to the Selection Date.

Holders of Redeemed Notes shall surrender the Individual Certificates, if any, representing the Notes in accordance with the provisions of the notice given to them by the Issuer as contemplated above. Where only a portion of the Notes represented by such Individual Certificates are redeemed, the Transfer Agent shall deliver new Individual Certificates to the Noteholders, as the case may be, in respect of the balance of the Notes.

#### 10.4. **Redemption at the Option of the Senior Noteholders**

If Senior Noteholders are specified in the Applicable Pricing Supplement as having an option to request the redemption of Senior Notes, such Senior Noteholders may exercise such option in respect of such Senior Notes by delivering to the Transfer Agent, in accordance with Condition 18 (*Notices*), a duly executed notice (**Put Notice**), at least 30 (thirty) Days but not more than 60 (sixty) Days, prior to the Optional Redemption Date.

For redemption in part, the redemption amount specified in such Put Notice in respect of any such Senior Note must be of a principal amount equal to or greater than the Minimum Redemption Amount or equal to or less than the Higher Redemption Amount, each as indicated in the Applicable Pricing Supplement.

The redemption by the Senior Noteholders of uncertificated Senior Notes shall take place in accordance with the Applicable Procedures.

The Issuer shall proceed to redeem the Senior Notes in respect of which such option has been exercised in accordance with the terms of the Applicable Pricing Supplement, at the Optional Redemption Amount and on the Optional Redemption Date, together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date(s).

In the event that the redeeming Senior Noteholder is the holder of an Individual Certificate, then such Senior Noteholder shall (attached to the Put Notice) deliver the Individual Certificate to the Transfer Agent for cancellation. A holder of an Individual Certificate shall, in that holder's Put Notice, specify a bank account into which the redemption payment amount is to be paid.

The delivery of Put Notices shall be required to take place during normal office hours to the Issuer and the Transfer Agent. Put Notices shall be available for inspection at the Specified Offices of the Transfer Agent.

Any Put Notice given by a holder of any Senior Note pursuant to this paragraph shall be irrevocable except where, after giving the notice but prior to the due date of redemption, an Event of Default shall have occurred and be continuing in which event such Senior Noteholder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this paragraph and instead to declare such Senior Note forthwith due and payable pursuant to Condition 16 (*Events of Default*).

The Issuer shall have no liability to remedy any defects in any Put Notice or bring any such defects to the attention of any Noteholder.

#### 10.5. **Redemption in the event of a Change of Control**

The provisions of this Condition 10.5 (*Redemption in the event of a Change of Control*) shall apply if specified as applicable in the Applicable Pricing Supplement.

##### 10.5.1. A **Change of Control Event** shall occur if at any time while any Note remains Outstanding:

- (i) a Change of Control occurs; and
- (ii) within the Change of Control Period and in respect of that Change of Control:
  - (A) a Rating Downgrade occurs in relation to the Issuer and/or the Programme and/or any Notes rated by a Rating Agency, as the case may be; or
  - (B) if, at the time the Change of Control occurs, the Issuer and/or the Programme and/or the Notes, as the case may be, are not so rated, a Negative Rating Event occurs.

##### 10.5.2. Promptly upon the Issuer becoming aware that a Change of Control Event has occurred, the Issuer shall give notice to the Noteholders in accordance with Condition 18 (*Notices*)

specifying the nature of the Change of Control Event and the circumstances giving rise to it and the procedure for exercising the option contained in this Condition 10.5.

10.5.3. If a Change of Control Event occurs at any time while any Note remains Outstanding, then provided the Noteholders have:

- (i) in terms of Condition 20 (*Meeting of Noteholders/Consent Process*) convened a meeting of Noteholders within 30 (thirty) Days of the notification set out in Condition 10.5.2 above; and
- (ii) resolved in terms of Condition 20 (*Meetings of Noteholders/Consent Process*) by way of Extraordinary Resolution to require the redemption of the Notes of that Class of Noteholders in these circumstances,

the Issuer shall redeem all Notes held by that Class of Noteholders at its Early Redemption Amount together with accrued interest (if any) within 15 (fifteen) Days of having received a written notice from that Class of Noteholders to redeem such Note (a **Change of Control Redemption Notice**).

10.5.4. The option to require the Issuer to redeem the Notes in accordance with Condition 10.5.3 shall be exercisable by a Class of Noteholders by the delivery of (a **Change of Control Redemption Notice**) to the Issuer at its registered office within 60 (sixty) Days after the occurrence of a Change of Control Event, unless prior to the delivery by that Noteholder of its Change of Control Redemption Notice the Issuer gives notice to redeem the Notes.

10.5.5. For the purposes of this Condition 10.5 (*Redemption in the event of a Change of Control*):

- (a) **Acting in Concert** means a group of Persons who, pursuant to an agreement or understanding (whether formal or informal), actively co-operate, through the acquisition of shares in the Issuer by any of them, either directly or indirectly, to obtain or consolidate Control of the Issuer;
- (b) a **Change of Control** shall be deemed to have occurred at each time (whether or not approved by the senior management or board of directors of the Issuer) that any Person (**Relevant Person**) or Person Acting in Concert or any Person or Persons acting on behalf of any such Person(s), at any time directly or indirectly acquires Control of the Issuer, provided that a Change of Control shall not be deemed to have occurred if the shareholders of the Relevant Person are also, or immediately prior to the event which would otherwise constitute a Change of Control, were all of the shareholders of the Issuer;
- (c) **Change of Control Period** means, in relation to a Change of Control of the Issuer, the period commencing 60 (sixty) Days prior to such Change of Control and ending 60 (sixty) Days after such Change of Control;
- (d) **Control** of the Issuer means (A) the holding beneficially of more than 50% (fifty percent) of the issued share capital of the Issuer (excluding any part of that issued share capital that carries no right to participate beyond a specified amount in a distribution of either profits or capital), or (B) the power to cast, or control the casting of votes in respect of, such number of the shares in the issued share capital of the Issuer carrying more than 50% (fifty percent) of the total number of votes that may be cast at a general meeting of the shareholders of the Issuer;
- (e) **Investment Grade Rating** means a national scale rating of "**Baa3za**" by Moody's, "**BBB-(zaf)**" by Fitch, "**zaBBB-**" by S&P, "**BBB-(ZA)**" by GCR Proprietary Limited or its equivalent for the time being, or better;
- (f) a **Negative Rating Event** shall, in relation to Notes that are unrated and/or where no Rating is assigned to the Issuer and/or the Programme, as the case may be, by a Rating Agency at the time a Change of Control occurs, be deemed to have occurred if:
  - (A) the Issuer does not on or before the 60<sup>th</sup> (sixtieth) Business Day after the commencement of the Change of Control Period seek, and use all reasonable endeavours to obtain from a Rating Agency, a Rating in respect

of itself and/or the Programme and/or the Notes, as the case may be, that are not rated; and

- (B) if it does so seek and use such endeavours, it has not, at the expiry of the Change of Control Period and as a result of such Change of Control, obtained an Investment Grade Rating in respect of itself and/or the Programme and/or such Notes, as the case may be;
- (g) **Rating Downgrade** shall, in relation to the Issuer and/or the Programme and/or any Notes, as the case may be, be deemed to have occurred in respect of a Change of Control if within the Change of Control Period the Rating previously assigned to the Issuer and/or the Programme and/or such Notes, as the case may be, by any Rating Agency is:
  - (A) withdrawn; or
  - (B) changed from an Investment Grade Rating to a non-Investment Grade Rating; or
  - (C) in the case of a non Investment Grade Rating, downgraded by any Rating Agency by one or more Rating Notches,provided that no Rating Downgrade shall have occurred if the Rating assigned to the Issuer and/or the Programme and/or the Notes, as the case may be, is substituted for an Investment Grade Rating by another Rating Agency; and
- (h) **Rating Notch** means the difference between one Rating and the Rating immediately below it, for example, from “BB+” to “BB” by the Rating Agency or similar lower or equivalent Rating.

#### 10.6. **Redemption in the event of a failure to maintain JSE Listing and Rating**

The provisions of this Condition 10.6 (*Redemption in the event of a failure to maintain JSE Listing and Rating*) shall apply if specified in the Applicable Pricing Supplement.

- 10.6.1. The Issuer shall, for so long as listed Notes remain Outstanding:
  - 10.6.1.1. ensure that those Notes remain listed on the Interest Rate Market of the JSE (**JSE Listing**); and
  - 10.6.1.2. maintain a Rating in respect of the Issuer, the Notes or the Programme, as the case may be.
- 10.6.2. If a breach of the undertakings in Condition 10.6.1 above occurs, then the Issuer shall within 3 (three) Business Days of such breach and in accordance with Condition 18 (*Notices*), give notice (the **Issuer Redemption Notice**) of such breach and the procedure for exercising the option set out in Condition 10.6.3 below to the Noteholders.
- 10.6.3. Each Noteholder may within the period ending 15 (fifteen) Business Days of receipt of the Issuer Redemption Notice (the **Election Period**), require the Issuer to redeem its Notes on:
  - 10.6.3.1. the Interest Payment Date immediately following the Election Period; or
  - 10.6.3.2. if the Election Period expires within a Books Closed Period, the next Interest Payment Date falling after the Interest Payment Date at the end of the Election Period,by delivery to the Issuer of a notice (the **Noteholder Redemption Notice**) in accordance with Condition 18 (*Notices*).
- 10.6.4. The Issuer shall, in accordance with Condition 10.6.3 above, redeem the Notes relevant to each Noteholder Redemption Notice at the Early Redemption Amount calculated in accordance with Condition 10.7 (*Early Redemption Amounts*), together with accrued interest (if any).

#### 10.7. **Early Redemption Amounts**

For the purpose of Conditions 10.2 (*Redemption for Tax Reasons*), Condition 10.3 (*Redemption at the Option of the Issuer*), Condition 10.4 (*Redemption at the Option of the Senior Noteholders*), Condition 10.5 (*Redemption in the event of a Change of Control*), 10.6



(*Redemption in the event of a failure to maintain JSE Listing and Rating*) and/or Condition 16 (*Events of Default*), the Notes will be redeemed at the Early Redemption Amount calculated as follows:

- 10.7.1. in the case of Notes with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof; or
- 10.7.2. in the case of Notes (other than Zero Coupon Notes) with a Final Redemption Amount which is or may be less or greater than the Issue Price, at the amount specified in, or determined in the manner specified in, the Applicable Pricing Supplement or, if no such amount or manner is so specified in the Pricing Supplement, at their Nominal Amount; or
- 10.7.3. in the case of Zero Coupon Notes, at an amount (the **Amortised Face Amount**) equal to the sum of: (i) the Reference Price; and (ii) the product of the Implied Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable; or
- 10.7.4. such other amount or method of calculation of the amount payable as is provided in the Applicable Pricing Supplement.

Where such calculation is to be made for a period which is not a whole number of years, it shall be calculated on the basis of actual Days elapsed divided by 365 (three hundred and sixty five), or such other calculation basis as may be specified in the Applicable Pricing Supplement.

10.8. **Instalment Notes**

Instalment Notes will be redeemed at the Instalment Amounts and on the Instalment Dates. In the case of early redemption in accordance with Conditions 10.2 (*Redemption for Tax Reasons*), Condition 10.3 (*Redemption at the Option of the Issuer*), Condition 10.4 (*Redemption at the Option of the Senior Noteholders*), Condition 10.5 (*Redemption in the event of a Change of Control*), Condition 10.6 (*Redemption in the event of a failure to maintain JSE Listing and Rating*) and/or Condition 16 (*Events of Default*), the Early Redemption Amount will be determined pursuant to Condition 10.7 (*Early Redemption Amounts*).

10.9. **Partly Paid Notes**

If the Notes are Partly Paid Notes, they will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition 10 (*Redemption and Purchase*) and the Applicable Pricing Supplement. In the case of early redemption in accordance with Conditions 10.2 (*Redemption for Tax Reasons*), Condition 10.3 (*Redemption at the Option of the Issuer*), Condition 10.4 (*Redemption at the Option of the Senior Noteholders*), Condition 10.5 (*Redemption in the event of a Change of Control*), Condition 10.6 (*Redemption in the event of a failure to maintain JSE Listing and Rating*) and/or Condition 16 (*Events of Default*), the Early Redemption Amount will be determined pursuant to Condition 10.7 (*Early Redemption Amounts*).

10.10. **Exchangeable Notes**

If the Notes are Exchangeable Notes, they will be redeemed, whether at maturity, early redemption or otherwise, in the manner indicated in the Applicable Pricing Supplement. Exchangeable Notes in respect of which Mandatory Exchange is indicated in the Applicable Pricing Supplement as applying, or upon the exercise by the Noteholder of the Noteholder's Exchange Right (if applicable), will be redeemed by the Issuer delivering to each Noteholder as many of the Exchange Securities as are required in accordance with the Exchange Price. The delivery by the Issuer of the Exchange Securities in the manner set out in the Applicable Pricing Supplement shall constitute the *in specie* redemption in full of such Notes.

10.11. **Purchases**

- 10.11.1 The Issuer or any of its Subsidiaries may at any time purchase Notes (in the open market or in privately negotiated transactions with any Noteholders) at any price in the open market or otherwise. Such Notes may, subject to Applicable Laws, be held, resold, or, at the option of the Issuer and/or the relevant Subsidiary, as the case may be, be

surrendered to the Transfer Agent for cancellation.

- 10.11.2 Where the Issuer or any Subsidiary purchases Notes and such purchase results in the Issuer or Subsidiary, as the case may be, holding in aggregate more than 35% (thirty five percent) of the Nominal Amount of Notes issued in a particular Tranche, the Issuer undertakes to immediately notify all remaining Noteholders of such purchase in accordance with Condition 18 (*Notices*).

**10.12. Cancellation**

All Notes which have been redeemed will forthwith be cancelled. All Notes so cancelled shall be forwarded to the Issuer and cannot be re-issued or resold. Where only a portion of Notes represented by an Individual Certificate are cancelled, the Transfer Agent shall deliver an Individual Certificate to such Noteholder in respect of the balance of the Notes.

**10.13. Late Payment on Zero Coupon Notes**

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Condition 10 (*Redemption and Purchase*) or upon its becoming due and repayable as provided in Condition 16 (*Events of Default*) is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition 10.7.3 as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of: (i) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and (ii) 5 (five) Days after the date on which the full amount of the monies payable has been received by the CSD, and notice to that effect has been given to the Noteholder in accordance with Condition 18 (*Notices*).

**10.14. Applicable Procedures**

The redemption and partial redemption of Beneficial Interests shall take place in accordance with the Applicable Procedures and the Financial Markets Act.

**11. TAXATION**

All payments of principal and interest in respect of the Notes by the Issuer will be made without withholding or deduction for or on account of any present or future taxes or duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of South Africa or any political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law.

In such event, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes, as the case may be, in the absence of such withholding or deduction, except that no such additional amounts shall be payable with respect to any Note:

- 11.1. held by or on behalf of a Noteholder who is liable for such taxes or duties in respect of such Note by reason of his having some connection with South Africa other than the mere holding of such Note or the receipt of principal or interest in respect thereof; or
- 11.2. presented for payment by or on behalf of, or held by, a Noteholder who could lawfully avoid (but has not so avoided) such withholding or deduction by complying with any statutory requirements in force at the present time or in the future by making a declaration of non-residence or other similar claim or filing for exemption to which it is entitled to by the relevant tax authority or the Paying Agent (the effect of which is not to require the disclosure of the identity of the relevant Noteholder); or
- 11.3. where such withholding or deduction is in respect of taxes levied or imposed on interest or principal payments only by virtue of the inclusion of such payments in the taxable income (as defined in section 1 of the Income Tax Act) or taxable capital gain (as defined in paragraph 1 of Schedule 8 to the Income Tax Act) of any Noteholder; or
- 11.4. where (in the case of payment of principal and/or interest which is conditional on surrender and/or presentation of the relevant Individual Certificate in accordance with the Terms and Conditions) the relevant Individual Certificate is surrendered and/or presented more than 30

(thirty) Days after the Payment Day, except to the extent that the Noteholder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth Day;

- 11.5. if such withholding or deduction arises through the exercise by revenue authorities of special powers in respect of tax defaulters; or
- 11.6. if such withholding or deduction arises in terms of the US Foreign Account Tax Compliance Act (**FATCA**), any regulations or agreements thereunder, official interpretations thereof, any intergovernmental approach thereto, or implementing legislation adopted by another jurisdiction in connection with FATCA.

Any reference in these Terms and Conditions to any amounts in respect of the Notes shall be deemed also to refer to any additional amounts which may be payable under these Terms and Conditions or under any undertakings given in addition to, or in substitution for, these Terms and Conditions.

## 12. **EXCHANGE OF BENEFICIAL INTERESTS AND REPLACEMENT OF INDIVIDUAL CERTIFICATES**

### 12.1. **Exchange of Beneficial Interests**

- 12.1.1. The holder of a Beneficial Interest in Notes may, in terms of the Applicable Procedures and subject to section 42 of the Financial Markets Act, by written notice to the holder's nominated Participant (or, if such holder is a Participant, the CSD), request that such Beneficial Interest be exchanged for Notes in definitive form represented by an Individual Certificate (the **Exchange Notice**). The Exchange Notice shall specify (i) the name, address and bank account details of the holder of the Beneficial Interest and (ii) the Day on which such Beneficial Interest is to be exchanged for an Individual Certificate; provided that such Day shall be a Business Day and shall fall not less than 30 (thirty) Days after the Day on which such Exchange Notice is given.
- 12.1.2. The holder's nominated Participant will, following receipt of the Exchange Notice, through the CSD, notify the Transfer Agent that it is required to exchange such Beneficial Interest for Notes represented by an Individual Certificate. The Transfer Agent will, as soon as is practicable but within 14 (fourteen) Days after receiving such notice, in accordance with the Applicable Procedures, procure that an Individual Certificate is prepared, authenticated and made available for delivery, on a Business Day falling within the aforementioned 14 (fourteen) Day period, to the holder of the Beneficial Interest at the Specified Office of the Transfer Agent; provided that joint holders of a Beneficial Interest shall be entitled to receive only one Individual Certificate in respect of that joint holding, and the delivery to one of those joint holders shall be delivery to all of them.
- 12.1.3. In the case of the exchange of a Beneficial Interest in Notes issued in uncertificated form:
  - 12.1.3.1. the CSD will surrender (through the CSD system) such uncertificated Notes to the Transfer Agent at its Specified Office; and
  - 12.1.3.2. the Transfer Agent will obtain the release of such uncertificated Notes from the CSD in accordance with the Applicable Procedures.
- 12.1.4. An Individual Certificate shall, in relation to a Beneficial Interest in any number of Notes issued in uncertificated form of a particular aggregate Nominal Amount standing to the account of the holder thereof, represent that number of Notes of that aggregate Nominal Amount, and shall otherwise be in such form as may be agreed between the Issuer and the Transfer Agent; provided that if such aggregate Nominal Amount is equivalent to a fraction of the Specified Denomination or a fraction of any multiple thereof, such Individual Certificate shall be issued in accordance with, and be governed by, the Applicable Procedures.

### 12.2. **Replacement**

If any Individual Certificate is worn out, mutilated, defaced, stolen, destroyed or lost it may be replaced at the Specified Office of the Transfer Agent, on payment by the claimant of such costs and expenses as may be incurred in connection therewith and the provision of such indemnity as the Issuer and the Transfer Agent may reasonably require. Worn out,

mutilated or defaced Individual Certificates must be surrendered at the Specified Office of the Transfer Agent before replacements will be issued.

**12.3. Death and sequestration or liquidation of Noteholder**

Any Person becoming entitled to Notes as a consequence of the death, sequestration or liquidation of the holder of such Notes may, upon producing evidence to the satisfaction of the Issuer that he holds the position in respect of which he proposes to act under this Condition 12.3, or of his title as the Issuer and the Transfer Agent shall require, be registered himself as the holder of such Notes or, subject to the Applicable Procedures, this Condition 12.3 and Condition 14.2 (*Transfer of Notes represented by Individual Certificates*), may transfer such Notes. The Issuer and (if applicable) the CSD and the relevant Participant shall be entitled to retain any amount payable upon the Notes to which any Person is so entitled until such Person shall be registered as aforesaid or until such time such Notes are duly transferred.

**12.4. Costs**

The costs and expenses of the printing, issue and delivery of each Individual Certificate and all taxes and governmental charges that may be imposed in relation to such Individual Certificate and/or the printing, issue and delivery of such Individual Certificate shall be borne by the holder of the Notes represented by that Individual Certificate. Separate costs and expenses relating to the provision of Individual Certificates and/or the transfer of Notes may be levied by other Persons, such as a Participant, under the Applicable Procedures, and such costs and expenses shall not be borne by the Issuer. The costs and expenses of the delivery of Certificates and all taxes or governmental charges or insurance charges that may be imposed in relation to such mode of delivery shall be borne by the Noteholder.

**13. REGISTER**

13.1. The Register of Noteholders in respect of Notes in certificated form:

13.1.1. shall be kept at the Specified Office of the Transfer Agent and a copy thereof shall be made available for inspection at the registered office of the Issuer (as set out at the end of the Programme Memorandum) or such other Person as may be appointed for the time being by the Issuer to maintain the Register;

13.1.2. shall contain the names, addresses and bank account numbers of the registered Noteholders;

13.1.3. shall show the total Nominal Amount of the Notes held by Noteholders;

13.1.4. shall show the dates upon which each of the Noteholders was registered as such;

13.1.5. shall show the serial numbers of the Individual Certificates and the dates of issue thereof;

13.1.6. shall be open for inspection at all reasonable times during business hours on Business Days by any Noteholder or any Person authorised in writing by a Noteholder; and

13.1.7. shall be closed during the Books Closed Period.

13.2. The Transfer Agent shall alter the Register in respect of any change of name, address or account number of any of the Noteholders of which it is notified.

13.3. Except as provided for in these Terms and Conditions or as required by law, in respect of Notes, the Issuer will only recognise a Noteholder as the owner of the Notes registered in that Noteholder's name as per the Register.

13.4. Except as provided for in these Terms and Conditions or as required by law, the Issuer shall not be bound to enter any trust in the Register or to take notice of or to accede to the execution of any trust (express, implied or constructive) to which any Individual Certificate may be subject.

13.5. The Register maintained by the CSD in respect of Notes in uncertificated form in accordance with Applicable Laws and the Applicable Procedures will form part of the Register.

## 14. TRANSFER OF NOTES

Subject to the Applicable Laws, title to Notes will be freely transferable and fully paid up (save for Zero Coupon Notes) and will pass upon registration of transfer in accordance with provisions set out below:

### 14.1. ***Transfer of Beneficial Interests in Notes held in the CSD***

- 14.1.1. Beneficial Interests may be transferred only in accordance with the Applicable Procedures through the CSD.
- 14.1.2. Transfers of Beneficial Interests to and from clients of Participants occur by way of electronic book entry in the securities accounts maintained by the Participants for their clients, in accordance with the Applicable Procedures.
- 14.1.3. Transfers of Beneficial Interests among Participants occur through electronic book entry in the central securities accounts maintained by the CSD for the Participants, in accordance with the Applicable Procedures.

### 14.2. ***Transfer of Notes represented by Individual Certificates***

- 14.2.1. In order for any transfer of Notes represented by an Individual Certificate to be recorded in the Register, and for such transfer to be recognised by the Issuer:
  - 14.2.1.1. the transfer of such Notes must be embodied in a Transfer Form;
  - 14.2.1.2. the Transfer Form must be signed by the registered Noteholder of such Notes and the transferee, or any Representatives of that registered Noteholder or transferee; and
  - 14.2.1.3. the Transfer Form must be delivered to the Transfer Agent at its Specified Office together with the Individual Certificate representing such Notes for cancellation.
- 14.2.2. Notes represented by an Individual Certificate may only be transferred, in whole or in part, in amounts of not less than the Specified Denomination (or any multiple thereof).
- 14.2.3. Subject to this Condition 14.2, the Transfer Agent will, within 3 (three) Business Days of receipt by it of a valid Transfer Form (or such longer period as may be required to comply with any Applicable Laws and/or Applicable Procedures), record the transfer of Notes represented by an Individual Certificate (or the relevant portion of such Notes) in the Register, and authenticate and deliver to the transferee at the Transfer Agent's Specified Office or, at the risk of the transferee, send by mail to such address as the transferee may request, a new Individual Certificate in respect of the Notes transferred reflecting the outstanding Nominal Amount of the Notes transferred.
- 14.2.4. Where a Noteholder has transferred a portion only of Notes represented by an Individual Certificate, the Transfer Agent will authenticate and deliver to such Noteholder at the Transfer Agent's Specified Office or, at the risk of such Noteholder, send by mail to such address as such Noteholder may request, at the risk of such Noteholder, a new Individual Certificate representing the balance of the Notes held by such Noteholder.
- 14.2.5. The transferor of any Notes represented by an Individual Certificate will be deemed to remain the owner thereof until the transferee is registered in the Register as the holder thereof.
- 14.2.6. Before any transfer of Notes represented by an Individual Certificate is registered in the Register, all relevant transfer taxes (if any) must have been paid by the transferor and/or the transferee and such evidence must be furnished as the Issuer and the Transfer Agent may reasonably require as to the identity and title of the transferor and the transferee.
- 14.2.7. No transfer of any Notes represented by an Individual Certificate will be registered whilst the Register is closed as contemplated in Condition 13 (*Register*).

If a transfer of any Notes represented by an Individual Certificate is registered in the Register, the Transfer Form and cancelled Individual Certificate will be retained by the Transfer Agent.

In the event of a partial redemption of Notes under Condition 10.3 (*Redemption at the Option of the Issuer*), the Transfer Agent shall not be required in terms of Condition 10.3 (*Redemption at the Option of the Issuer*), to register the transfer of any Notes during the

period beginning on the tenth Day before the date of the partial redemption and ending on the date of the partial redemption (both inclusive).

## 15. PRESCRIPTION

The Notes will become void unless presented for payment of principal within a period of three years after their redemption date.

## 16. EVENTS OF DEFAULT

### 16.1. Senior Notes

16.1.1. If, for any particular Series of Notes, one or more of the following events or unless otherwise set out in the Applicable Pricing Supplement (**Events of Default**) shall have occurred and be continuing:

#### 16.1.1.1. **Non-Payment**

the Issuer fails to pay any principal or interest due under the Senior Notes on its due date for payment thereof and any such failure continues for a period of 5 (five) Business Days, after receiving written notice from any of the Senior Noteholders demanding such payment; or

#### 16.1.1.2. **Negative Pledge**

the Issuer or any other Material Group Company, as the case may be, fails to remedy a breach of Condition 7 (*Negative Pledge*) within 21 (twenty one) Business Days of receiving written notice from any of the Senior Noteholders demanding such remedy; or

#### 16.1.1.3. **Breach of Material Obligations**

the Issuer fails to perform or observe any of its other material obligations or undertakings (not specifically covered elsewhere in this clause 16.1) under or in respect of any of the Senior Notes and such failure continues for a period of 30 (thirty) Days after receipt by the Issuer of a notice from any of the Senior Noteholders (in accordance with Condition 18 (*Notices*)) in respect of such failure specifying the failure and requesting the Issuer to remedy same; or

#### 16.1.1.4. **Cross Default**

the Issuer or any other Material Group Company, as the case may be, defaults on the payment of the principal or interest, or any obligations in respect of Material Indebtedness of, or assumed or guaranteed by the Issuer or any other Material Group Company, as the case may be, when and as the same shall become due and payable and where notice has been given to the Issuer or any other Material Group Company, as the case may be, of the default and if such default shall have continued for more than the notice period (if any) applicable thereto and the time for payment of such interest or principal or other obligation has not been effectively extended or waived, or if any such obligations in respect of any Material Indebtedness of, or assumed or guaranteed by, the Issuer or any other Material Group Company, as the case may be, shall have become repayable before the due date thereof as a result of acceleration of maturity by reason of the occurrence of any event of default thereunder; or

#### **Authorisation and Consents**

any action, condition or thing, including obtaining any consent, licence approval or authorisation now or in future necessary to enable the Issuer to comply with its obligations under the Notes was not taken, is not fulfilled or in place or any such consent, licence, approval or authorisation is revoked, modified, withdrawn or withheld or ceases to be in full force and effect, resulting in the Issuer being unable to perform any of its payment or other obligations in terms of the Notes and the Issuer fails to take reasonable steps to remedy such circumstances within 21 (twenty-one) Business Days of receiving written notice from the Noteholders demanding such remedy; or

16.1.1.5. ***Insolvency etc.***

an order by any court of competent jurisdiction or authority for the winding-up, dissolution, business rescue proceedings or placement under supervision and commencement of business rescue proceedings of the Issuer or any other Material Group Company, as the case may be, is made whether provisionally (and not dismissed or withdrawn within 30 (thirty) Days thereof) or finally, or the Issuer or any other Material Group Company, as the case may be, is placed under voluntary liquidation or curatorship or a meeting is convened to consider the passing of a resolution, or a resolution is passed, to authorise the implementation of any business rescue proceedings in respect of the Issuer or any other Material Group Company, provided that no liquidation, curatorship, winding-up, dissolution or business rescue proceedings shall constitute an Event of Default if (i) the liquidation, winding-up or dissolution is for the purposes of effecting an amalgamation, merger, demerger, consolidation, reorganisation or other similar arrangement within the Sappi Group with any third party; or (ii) the liquidation, winding-up or dissolution is for the purposes of effecting an amalgamation, merger, demerger, consolidation, reorganisation or other similar arrangement, the terms of which were approved by an Extraordinary Resolution of Noteholders before the date of the liquidation, winding-up or dissolution; or

16.1.1.6. ***Winding-up etc.***

the Issuer or any other Material Group Company, as the case may be, initiates or consents to judicial proceedings relating to itself under any applicable compromise with creditors, liquidation, winding-up, business rescue or insolvency or other similar laws or compromises or attempts to compromise, with its creditors generally (or any significant class of creditors) or any meeting of creditors is convened by the Issuer or any other Material Group Company, as the case may be, to consider a proposal for an arrangement or compromise with its creditors generally (or any significant class of its creditors), save for any such initiation, consent, attempt or convening of a meeting which relates to the Issuer or any of its other Material Group Company and is for the purposes of an internal reconstruction or reorganisation within the Sappi Group; or

16.1.1.7. ***Enforcement Proceedings***

if a Person validly attaches in execution the whole or a material part of the undertaking or assets of the Issuer or any other Material Group Company, as the case may be, or an execution or attachment or other process is validly levied, enforced upon, sued out or put in force against the whole or a material part of the undertaking or assets of any of them in both instances following a judgement against the Issuer or any other Material Group Company, as the case may be, by a court of competent jurisdiction and such is not discharged within 30 (thirty) Days; or

16.1.1.8. ***Other***

any other Event of Default provided for such Series, as specified in the Applicable Pricing Supplement,

then any Senior Noteholder may, by written notice to the Issuer at the registered office of the Issuer, effective upon the date of receipt thereof by the Issuer, declare the Senior Notes held by the Senior Noteholder to be forthwith due and payable whereupon the same shall become forthwith due and payable at the Early Redemption Amount (as described in Condition 10.7 (*Early Redemption Amounts*)), together with accrued interest (if any) to the date of repayment, or as specified in the Applicable Pricing Supplement, provided that, notwithstanding the taking of such action, although an amount will be due it may not be payable if the Issuer withholds or refuses to make such payment in order to comply with any law or regulation of South Africa or to comply with any order of a court of competent jurisdiction.

16.1.2. For the purposes of Condition 16.1.1.4, any Indebtedness which is in a currency other than South African Rand shall be converted into South African Rand at the spot rate for the sale of South African Rand against the purchase of the relevant currency quoted by any leading bank of South Africa selected on the date of such Event of Default.

## **16.2. Subordinated Notes**

If the Issuer defaults in relation to Subordinated Notes in the payment of any amount payable in respect of such Notes, and such default continues for a period of 7 (seven) Business Days after receiving written notice from any of the holders of Subordinated Notes, or if an Event of Default as contemplated in Condition 16.1.1.5 occurs, any holder of a Subordinated Note may, subject as provided below, at its discretion and without notice, institute such proceedings against the Issuer as it may think fit to enforce the obligations of the Issuer under such Subordinated Notes, provided that the Issuer shall not be obliged, save in the case of liquidation, winding-up or business rescue proceedings, to pay any sum(s) sooner than the same would otherwise have been payable by it.

Subject to Applicable Laws, in the event of the winding-up or liquidation, whether finally or provisionally, or business rescue proceedings of the Issuer, otherwise than for the purposes of an amalgamation, merger, consolidation or re-organisation not involving liquidation, winding-up or bankruptcy, then any holder of Subordinated Notes issued by the Issuer may by written notice to the Issuer at its registered office, require that its Subordinated Notes are immediately due and repayable at their Early Redemption Amount together with the accrued interest to the date of payment, save that the Noteholders of Subordinated Notes may only receive payment once all the other creditors of the Issuer have been paid in full.

## **16.3. Notification of Event of Default**

If the Issuer becomes aware of the occurrence of any Event of Default, the Issuer shall forthwith notify all Noteholders in accordance with Condition 18 (*Notices*), the Dealer(s) and the JSE in writing.

## **17. CALCULATION AGENT, TRANSFER AGENT, PAYING AGENT AND ISSUER AGENT**

Any third party appointed by the Issuer as Calculation Agent, Transfer Agent, Paying Agent and Issuer Agent or otherwise shall act solely as the agents of the Issuer and does not assume any obligation towards or relationship of agency or trust for or with any Noteholders. The Issuer is entitled to vary or terminate the appointment of such agents and/or appoint additional or other agents and/or approve any change in the Specified Office through which any agent acts.

## **18. NOTICES**

- 18.1. All notices to the holders of Notes represented by Individual Certificates shall be in writing and shall be sent by registered mail to the respective addresses of those Noteholders appearing in the Register or delivered by hand to the respective addresses of those Noteholders appearing in the Register. Each such notice shall be deemed to have been received by the relevant Noteholder on the date on which such notice is sent by registered mail (if such notice is sent by registered mail) or the date of delivery (if such notice is delivered by hand).
- 18.2. Notwithstanding the provisions of Condition 18.1, for so long as all of the Notes in a Tranche are held in their entirety in the CSD, they may be substituted for the notice contemplated in Condition 18.1, by the delivery of the relevant notice to the CSD, the Participants and the Financial Exchange for communication by them to the holders of Beneficial Interests in such Notes in accordance with the Applicable Procedures. Each such notice will be deemed to have been received by the holders of Beneficial Interests on the Day of delivery of such notice to the CSD.
- 18.3. Any notice to the Issuer shall be deemed to have been received by the Issuer, if delivered to the registered office of the Issuer, on the date of delivery, and if sent by registered mail, on the seventh Day after the Day on which it is sent. The Issuer may change its registered office upon prior written notice to Noteholders specifying such new registered office.
- 18.4. For so long as any of the Notes are uncertificated, notice may be given by any holder of an uncertificated Note to the Issuer via the relevant Settlement Agent in accordance with the Applicable Procedures, in such manner as the Issuer and the relevant Participants may approve for this purpose.

## **19. AMENDMENT OF THESE TERMS AND CONDITIONS**

- 19.1. These Terms and Conditions set out all the rights and obligations relating to the Notes and,



subject to the further provisions of this Condition 19, no addition, variation or consensual cancellation of these Terms and Conditions shall be of any force or effect unless the JSE has been notified and the amendments have been reduced to writing and signed by or on behalf of the Issuer and the Noteholders (if applicable).

- 19.2. The Issuer may effect, without the consent of the Noteholders or the relevant Class of Noteholders, as the case may be, any modification of the Terms and Conditions and/or the Applicable Pricing Supplement(s) which is of a technical nature (including an increase in the Programme Amount) or is made to correct a manifest error or to comply with mandatory provisions of any Applicable Laws. No prior approval of the JSE or such other Financial Exchange, as the case may be, is required, however the Issuer must provide the amended issuer document, including any supplement to the issuer document to the JSE immediately after the amendment and release of an announcement on SENS providing a summary of the amendments and where the amended issuer document or supplement to the issuer document will be available for the inspection. Any such modification to an issuer document shall be binding on the Noteholders or relevant Class of Noteholders, as the case may be, and any such modification shall be communicated to the Noteholders or the relevant Class of Noteholders in accordance with Condition 18 (*Notices*) as soon as is practicable thereafter.
- 19.3. Subject to the prior conditional formal approval of the JSE, or such other Financial Exchange, as the case may be, the Issuer may, with the prior sanction of an Extraordinary Resolution of Noteholders or the relevant Class of Noteholders, as the case may be, amend these Terms and Conditions and/or the Applicable Pricing Supplement(s), provided that no such amendment shall be of any force or effect unless notice of the intention to make such amendment shall have been given to all Noteholders in terms of Condition 18 (*Notices*).

## **20. MEETINGS OF NOTEHOLDERS/CONSENT PROCESS**

### **20.1 Convening of meetings**

- 20.1.1. The Issuer may at any time convene a meeting of Noteholders (a **meeting** or **the meeting**).
- 20.1.2. The Issuer shall convene a meeting upon the requisition in writing of the holders of at least 10% (ten percent) of the aggregate Nominal Amount outstanding of the Notes (**requisition notice**).
- 20.1.3. Whenever the Issuer wishes or is required to convene a meeting, it shall forthwith give notice in writing to the Noteholders as specified in Condition 20.4 (*Consent Notices*).
- 20.1.4. All meetings of Noteholders shall be held in Johannesburg (unless otherwise provided in the Issuer's constitutive documents).
- 20.1.5. Any director or duly authorised representative of the Issuer and/or any other Material Group Company, and any other Person authorised in writing by the Issuer and/or any other Material Group Company, may attend and speak at a meeting of Noteholders, but shall not be entitled to vote, other than as a proxy (as defined below) or duly authorised representative of a Noteholder.
- 20.2.1. A requisition notice shall state the nature of the business for which the meeting is to be held and shall be deposited at the registered office of the Issuer.
- 20.2.2. A requisition notice may consist of several documents in like form, each signed by one or more requisitionists.

### **20.3 Convening of meetings by requisitionists**

If the Issuer does not proceed to cause a meeting to be held within a reasonable period of time after the deposit with the company secretary of the Issuer of a requisition notice, requisitionists who together hold not less than 10% (ten percent) of the aggregate Nominal Amount outstanding of the Notes for the time being (unless a lower percentage is specified in the Issuer's constitutive documents), may themselves convene the meeting, provided that such meeting so convened shall be held within 60 (sixty) Days from the date of delivery of the requisition notice and shall be convened as nearly as possible in the same manner as that in which meetings may be convened by the Issuer. Notice of the meeting shall be

required to be given to the Issuer.

#### 20.4 **Consent Notices**

20.4.1 Unless all Noteholders or all the holders of a relevant Class of Noteholders are present at the meeting and vote to waive the minimum notice period, a minimum of at least 15 (fifteen) Business Days written notice (unless otherwise provided in the Issuer's constitutive documents) specifying the place, Day, time and record date of the proposed meeting and the nature of the business to be transacted thereat shall be given by the Issuer to Noteholders. The notice shall also specify the percentage of voting rights that will be required for the proposed resolution to be adopted and the form of the proposed resolution, and shall include a statement to the effect that Noteholders may appoint proxies (who need not also be Noteholders) and that the participants at the meeting need to provide satisfactory identification. Such notice is required to be given in accordance with Condition 18 (*Notices*).

20.4.2 In the case of a written resolution, the notice to Noteholders or a Class of Noteholders, as the case may be, must include the proposed resolutions to be passed, the record date, any restrictions on voting as provided for in these Terms and Conditions, the last date on which a Noteholder may submit its written vote (provided that such date shall be no later than the date falling 20 Business days after the notice is distributed) as well as the address where the vote must be submitted.

#### 20.5 **Quorum**

20.5.1 At any meeting, one or more Noteholders or relevant Class of Noteholders, as the case may be, present in person or by proxy and holding in aggregate not less than 25% (twenty five percent) of the voting rights that are entitled to be exercised in respect of at least one matter to be decided at the meeting (unless otherwise provided in the Issuer's constitutive documents), shall form a quorum for the transaction of business. If there are more than two Noteholders, then the meeting may not begin until at least three Noteholders are present at the meeting.

20.5.2 No business shall be transacted at a meeting of Noteholders or any Class of Noteholders unless a quorum is present at the time when the meeting proceeds to business.

20.5.3 Unless otherwise provided in the Issuer's constitutive documents, if, within one hour from the time fixed for the meeting, a quorum is not present, (i) for the meeting to take place, then the meeting shall stand adjourned for one week, or (ii) for the matter to be considered, then the meeting shall be postponed to a later time in the meeting unless there is no other business on the agenda for the meeting, in which case the meeting shall stand adjourned for one week.

20.5.4 The Chairman may extend the one hour limit for a reasonable period on the grounds that (a) exceptional circumstances affecting weather or transportation have generally impeded or are generally impeding the ability of the Noteholders to be present at the meeting or (b) one or more particular Noteholders, having been delayed, have communicated an intention to attend the meeting, and those Noteholders, together with others in attendance, would satisfy the quorum requirements for the meeting or the matter to be considered. The Issuer is not required to give further notice of a meeting that has been postponed or adjourned unless the location of the meeting has changed. If at the time appointed for a postponed meeting to begin or an adjourned meeting to resume, the requirements for a quorum have not been satisfied, the Noteholders present in person or by proxy will be deemed to constitute a quorum.

#### 20.6 **Chairman**

The chairman of the meeting shall be appointed by the Issuer.

#### 20.7 **Adjournment**

20.7.1 A meeting, or the consideration of any matter at the meeting, may be adjourned from time to time without further notice, on a motion supported by Persons entitled to exercise, in aggregate, the majority of the voting rights held by all of the Persons who are present at the meeting at the time and that are entitled to be exercised on at least one matter remaining on the agenda of the meeting or on the matter under consideration. Such

adjournment may be to a fixed time and place or until further notice (in such case, the notice must then be provided to the Noteholders timeously).

20.7.2 A meeting may not be adjourned beyond the earlier of (i) the date falling 120 Business Days after the record date or (ii) the date falling 60 Business Days after the date on which the adjournment occurred (unless otherwise provided in the Issuer's constitutive documents).

20.7.3 No business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place.

## 20.8 How questions are decided

20.8.1 At a meeting, a resolution put to the vote shall be decided by a poll unless, before or on the declaration that such meeting will be conducted by poll, a vote by show of hands is demanded by the chairman or by any one of the Noteholders present in person or by proxy.

20.8.2 Unless a vote by show of hands is demanded, a declaration by the chairman that on a poll a resolution has been carried, or carried by a particular majority, or lost, shall be conclusive evidence of that fact, without proof of the number or proportion of the votes cast in favour of or against such resolution.

20.8.3 A polled vote must be held on a particular matter to be voted on at a meeting, if a demand for a vote is made by (i) at least five persons having the right to vote on the matter either in person or as proxy of the Noteholder or (ii) a person who is, or persons who together are, entitled to exercise at least 10% (ten percent) of the voting rights entitled to be voted on that matter.

20.8.4 In the case of an equality of votes, whether on a poll or a show of hands, the chairman shall not be entitled to a casting vote in addition to the vote, if any, to which he is entitled.

## 20.9 Votes

20.9.1 On a show of hands every Noteholder present in person shall have one vote. On a poll every Noteholder, present in person or by proxy, shall have one vote for each ZAR1,000,000 (One Million Rand) of the Nominal Amount outstanding of the Notes held by him. The joint holders of Notes shall have only one vote on a show of hands and one vote on a poll for each ZAR1,000,000 (One Million Rand) of the Nominal Amount outstanding of the Notes of which they are the registered holder and the vote may be exercised only by that holder present whose name appears first on the Register in the event that more than one of such joint holders is present in person or by proxy at the meeting. The Noteholder in respect of uncertificated Notes shall vote at any such meeting on behalf of the holders of Beneficial Interests in such Notes in accordance with the instructions to the CSD from the holders of Beneficial Interests conveyed through the Settlement Agents in accordance with the Applicable Procedures.

20.9.2 Notwithstanding anything to the contrary contained herein, any Noteholder that is the Issuer or any of its Subsidiaries shall not be entitled to vote.

## 20.10 Proxies and representatives

20.10.1 Noteholders may:

20.10.1.1 present in person; or

20.10.1.2 through any appointed Person (a **proxy**), by an instrument in writing (a **form of proxy**) in the form annexed to the notice convening the meeting, signed by the holder or, in the case of a corporation, executed under its common seal or signed on its behalf by an attorney of a duly authorised officer or a duly authorised officer of the corporation,

vote on a poll.

20.10.2 A Person appointed to act as proxy need not be a Noteholder.

20.10.3 The form of proxy shall be deposited at the registered office of the Issuer or at the office

where the Register is kept or at such other office as the Issuer may determine not less than 24 (twenty four) hours before the time appointed for holding the meeting or adjourned meeting at which the Person named in such form of proxy proposes to vote, or the chairman decides otherwise and in default, the proxy shall be invalid.

- 20.10.4 No form of proxy shall be valid after the expiration of 12 (twelve) months from the date named in it as the date of its execution.
- 20.10.5 A proxy shall have the right to demand or join in demanding a poll.
- 20.10.6 Notwithstanding Condition 20.10.4 the form of proxy shall be valid for any adjourned meeting, unless the contrary is stated thereon.
- 20.10.7 A vote given in accordance with the terms of a proxy shall be valid notwithstanding the previous death or incapacity of the principal or revocation of the proxy or of the authority under which the form of proxy was executed or the transfer of Notes in respect of which the proxy was given, provided that no intimation in writing of such death, incapacity or revocation shall have been received by the Issuer at the office of the Transfer Agent more than, and that the transfer has been given effect to less than, 12 (twelve) hours before the commencement of the meeting or adjourned meeting at which the proxy is to be used.
- 20.10.8 Any Noteholder which is a corporation may by resolution of its directors or other governing body authorise any Person to act as its representative in connection with any meeting or proposed meeting of Noteholders. Any reference in this Condition 20 (*Meetings of Noteholders/Consent Process*) to a Noteholder present in person includes such a duly authorised representative of a Noteholder.

#### 20.11 **Minutes**

- 20.11.1 The Issuer shall cause minutes of all resolutions and proceedings of meetings to be duly entered in the minute books of the Issuer.
- 20.11.2 Any such minutes as aforesaid, if purporting to be signed by the chairman of the meeting at which such resolutions were passed or proceedings held or by the chairman of the next succeeding meeting, shall be receivable in evidence without any further proof, and until the contrary is proved, a meeting of Noteholders in respect of the proceedings of which minutes have been so made shall be deemed to have been duly held and convened and all resolutions passed thereat, or proceedings held, to have been duly passed and held.

#### 20.12 ***Mutatis mutandis* application**

The provisions of this Condition 20 (*Meetings of Noteholders/Consent Process*) shall apply *mutatis mutandis* to the calling and conduct of meetings on an individual Tranche, Series or Class of Noteholders, as the case may be.

### 21 **FURTHER ISSUES**

The Issuer shall be at liberty from time to time without the consent of the Noteholders to create and issue further Notes having terms and conditions the same as any of the other Notes issued under the Programme or the same in all respects save for the amount and date of the first payment of interest thereon, the Issue Price and the Issue Date, so that the further Notes shall be consolidated to form a single Series with the Outstanding Notes.

### 22 **GOVERNING LAW**

These Terms and Conditions and all rights and obligations to the Notes are governed by, and shall be construed in accordance with, the laws of South Africa in force from time to time.

SIGNED at Johannesburg on this 23 day of November 2018

For and on behalf of  
**SAPPI SOUTHERN AFRICA LIMITED**



Name: PRAVIN MOODLEY  
Capacity: Director  
Who warrants his authority hereto



Name: G. T. PEARCE  
Capacity: Director DIRECTOR  
Who warrants his authority hereto

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## USE OF PROCEEDS

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*Capitalised terms used in this section headed “Use of Proceeds” shall bear the same meanings as those used in the Terms and Conditions, except to the extent that they are separately defined in this section or are clearly inappropriate from the context.*

For purposes of the Commercial Paper Regulations it is recorded that the “*Ultimate Borrower*”, as defined in the Commercial Paper Regulations, of the net proceeds from each Tranche of Notes will be the Issuer, unless otherwise indicated in the Applicable Pricing Supplement.

The proceeds from each issue of Notes will be applied by the Issuer for its general corporate purposes, or as may otherwise be described in the Applicable Pricing Supplement.

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## DESCRIPTION OF SAPPI SOUTHERN AFRICA LIMITED

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*Capitalised terms used in this section headed “Description of SAPPI Southern Africa Limited” shall bear the same meanings as those used in the Terms and Conditions, except to the extent that they are separately defined in this section or are clearly inappropriate from the context.*

### 1. GROUP OVERVIEW

Sappi Southern Africa Limited (**Sappi Southern Africa, SSA** or the **Issuer**), Registration number 1951/003180/06 is a wholly owned subsidiary of Sappi Limited (**Sappi, we, our, us** or the **Company**) which is a public company founded and incorporated in 1936 in accordance with the company laws of the Republic of South Africa (**South Africa**). Sappi's principal executive offices are located at 108 Oxford Road, Houghton Estate, Johannesburg, 2198, South Africa, our telephone number is +27-11-407-8111 and our web address is [www.sappi.com](http://www.sappi.com). We currently have our primary equity listing on the JSE Limited (**JSE**).

Sappi is a global diversified wood fibre company focused on providing dissolving wood pulp, specialities and packaging papers, graphic/printing papers, as well as biomaterials and biochemicals to our direct and indirect customer base across more than 150 countries.

#### History

Until 1990, we primarily expanded our operations within southern Africa. Since 1990, we have grown through acquisitions outside of southern Africa. In the mid 1990's we acquired S.D. Warren Company, in the United States a coated wood free paper and speciality paper products producer. It now conducts business as Sappi North America. In the late 1990's we acquired KNP Leykam, a leading European producer of coated wood free paper. KNP Leykam now conducts business as Sappi Europe. In 2002 we acquired Potlatch Corporation's coated wood free paper business and have integrated it in Sappi North America. In 2008 we acquired the coated graphic paper business of M-real Corporation (now known as Metsä Board) and have integrated it in Sappi Europe.

During 2010 we closed our production facilities at the Usutu Mill in Swaziland due to market conditions and forest fire damage. We also permanently ceased operations at the Kangas Mill in Finland. On March 24, 2010, we announced a BEE transaction involving the issuance of 24.3 million Sappi shares (approximately 4.5% of Sappi Limited). The transaction empowers our South African employees, our strategic empowerment partner, Lereko Investments (Pty) Ltd, and the South African communities in which we operate.

During fiscal 2011, we ceased operations at our Adamas Mill in South Africa and Biberist Mill in Switzerland, while in fiscal 2012 we sold our 34% shareholding in Jiangxi Chenming Paper Company Limited, situated in the People's Republic of China, to the majority shareholder and co-founding joint venture partner.

In 2013 we completed conversion projects at our Ngodwana Mill in South Africa and our Cloquet Mill in the United States. Both mills were converted to produce 210,000 tons and 330,000 tons respectively of dissolving wood pulp.

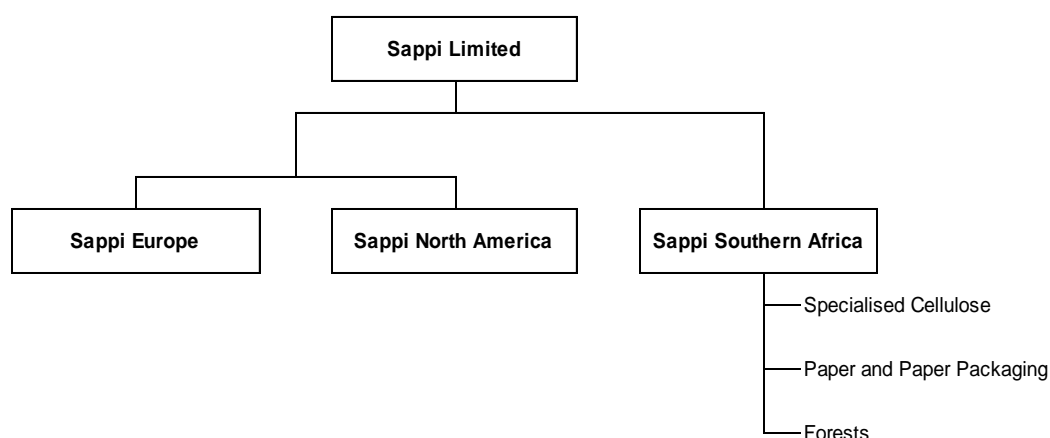
In line with our strategy to rationalise declining businesses, during 2014 we sold our Njimegen Mill in The Netherlands and our Usutu Mill in Swaziland. In 2015 we disposed of our Enstra and Cape Kraft Mills in South Africa.

In conjunction with the Edinburgh Napier University, in 2016 we commissioned a Nano cellulose pilot plant in the Netherlands, while in 2017 we acquired Rockwell Solutions, a firm specialising in innovative barrier packaging solutions. Rockwell Solutions is based in the United Kingdom and has been integrated into Sappi Europe.

In February 2018, Sappi finalised the acquisition of the speciality paper business of Cham Paper Group. The transaction includes the Carmignano and Condino speciality paper mills in Italy, as well as the digital imaging business and facility situated in Cham, Switzerland.

The Sappi Group has three reportable segments, Sappi North America, Sappi Europe, and Sappi Southern Africa. We operate 16 paper, paper pulp and specialised cellulose mills, with an aggregate annual paper, paper pulp and specialised cellulose production capacity of

approximately 5.6 million tons, approximately 2.2 million tons and approximately 1.4 million tons, respectively. We also operate a trading network, called Sappi Trading for the sale and distribution of our products outside our core operating regions of North America, Europe and Southern Africa. Sappi Trading also coordinates our shipping and logistical functions for exports from these regions.



The following table set forth certain information with respect to our operations for, or as of the end of, fiscal year 2017.

	North America	Europe	Southern Africa	Unallocated and Eliminations	Total
			(tons '000)		
Segment sales volume	1,359	3,343	2,708	—	7,410
			(US\$ million)		
Segment sales	1,360	2,564	1,1,372	—	5,296
Segment operating profit	47	136	347	(4)	526
Segment operating profit excluding special items	47	140	337	2	526

## 2. GROUP STRATEGY

Our strategic 2020Vision was developed during the course of 2015, and while the core focus remains on improving profitability, cash generation and growth, we have turned our attention to more specific growth targets and aspirations. In 2017, we achieved all of our short-term targets and made significant strides towards the 2020Vision. As we have achieved our target of reducing leverage to below two times we have revised the description of our objectives somewhat to reflect the progress we have made.

Our strategy now encompasses the following four main objectives:

- **Achieve cost advantages** – We will work to improve operational and machine efficiencies, maximise procurement benefits and optimise business processes in order to lower costs.
- **Rationalise declining businesses** – Recognising the decreasing demand for graphic papers, we continuously balance paper supply and demand in all regions to strengthen our leadership position in these markets, realising their strategic importance to the group and maximising their significant cash flow generation. Where possible we will convert paper machines to higher margin businesses.
- **Maintain a healthy balance sheet** – This will reduce risk and improve our strategic



flexibility.

- **Accelerate growth in higher margin growth segments** – We will invest in expanding our paper packaging grades, enhancing our specialised cellulose portfolio and in the extraction of value from our bio refinery stream.

Initiatives and actions undertaken to support our strategic objectives are outlined below.

### **Achieve cost advantages**

Reducing both variable and fixed costs throughout the business is integral to improving margins and to the sustainability of our operations, particularly in commodity type businesses such as graphic papers, where declining demand places additional pressure on margins and revenues. In 2016 we implemented a group wide cost reduction project to lower costs through greater emphasis on global procurement, as well as local projects focused on efficiency and raw material usage. Our initial target was to achieve US\$100 million in annual savings by 2020. We are pleased to report that in 2017 we achieved more than US\$100 million in savings compared to our 2015 base year. These savings have allowed us to offset the impact of rising paper pulp and latex prices and the impact of lower graphic paper prices. In 2018 we are targeting a further US\$60 million in savings. During the year we commenced the Somerset Mill wood yard upgrade to improve reliability and enhance efficiency. In 2018 we will invest in the Saiccor wood yard, upgrade PM9 at Gratkorn Mill and will be focusing on a global logistics initiative, all of which will lower costs.

### **Rationalise declining businesses**

Graphic paper demand in Europe and North America continues to be in long-term structural decline. Maintaining operating rates and lowering costs, in order to maximise cash generation, has been our strategy in these markets. In a difficult North American market, our cost-competitive manufacturing facilities, excellent service to customers and superior paper quality, allowed us to increase market share in 2017.

In Europe we have focused both on cost containment and our go-to-market strategy – Sappi&You – which has enabled us to be a preferred supplier in the coated wood free grades in particular and has seen us increase market share in a declining market.

In South Africa, we have become the sole local producer of newsprint after the closure of the last competing machine. The transfer of office paper production from Enstra Mill to Stanger Mill post the disposal of Enstra Mill in December 2015 has resulted in a more cost competitive product.

During the year we announced that in North America we will be investing approximately US\$165 million to convert PM1 at the Somerset Mill. The capacity of the machine will be expanded and it will have the flexibility to produce both coated graphics paper and paper packaging products. The project is expected to be completed in April 2018 and will replace approximately 150,000tpa of graphic paper with 350,000tpa of speciality grades.

In Europe we will undertake a number of projects that will result in a significant increase in our speciality packaging paper capacity and capability. The Maastricht Mill will be converted to focus predominantly on packaging grades and we will invest at Ehingen and Alfeld to enhance the specialities offerings. At the same time Lanaken Mill PM8 will progressively transition to coated wood free production over the next three years. In total these European projects will cost approximately US\$140 million over a three-year period and will result in the replacement of 200,000tpa of graphic paper with a similar volume of speciality packaging paper.

### **Maintain a healthy balance sheet**

A healthy balance sheet is an important prerequisite in order for Sappi to make investments in higher-margin businesses. The continued improvement in our operational performance enabled us to reduce debt further and our net debt/EBITDA leverage sooner than the targets we had set ourselves. As a result we repaid US\$400 million of debt from cash reserves in fiscal 2017, and our future net finance costs are expected to be in the range of US\$60 million to US\$70 million/annum. This is a significant reduction from the US\$182 million spent in 2015.

At a group level we are focused on optimising our working capital management, containing capital expenditure and generating sufficient free cash to pay the annual dividend, while keeping the net debt/EBITDA ratio below two times leverage.

### **Accelerate growth in higher margin growth segments**

With debt and leverage at levels that provide us with the necessary comfort and flexibility we started to accelerate investments in higher margin products and businesses. As mentioned above, we are investing more than US\$300 million to convert graphic paper capacity to specialities and packaging papers and we have also completed the acquisition of Rockwell Solutions, a firm specialising in innovative barrier packaging solutions. Concerns about climate change, recycling and the environment are driving encouraging growth in paper-based packaging and we continue to look for more opportunities to expand our product offering in complementary segments of the market.

In 2017 we initiated debottlenecking projects at both Saiccor and Ngodwana Mills with the aim to boost production by 50,000tpa at Ngodwana Mill and 10,000tpa at Saiccor Mill. Further significant expansion opportunities are also apparent in our specialised cellulose business, with robust demand growth expected from our major customers and from the DWP market in general. We intend to announce details of our plans in this regard during the first half of 2018.

Our new business development team, now named Sappi Biotech, has had a busy and successful year. During 2017 we commissioned a sugar extraction pilot plant at Ngodwana Mill, and produced the first batch of cellulose nanofibrils (CNF) and cellulose microfibrils (CMF) at our pilot plant at Maastricht Mill. We also acquired technology from Plaxica, a firm based in the United Kingdom which specialises in sugar extraction from waste streams.

## **3. PRODUCT REVIEW**

### **Dissolving Wood Pulp**

Dissolving wood pulp (**DWP**) is a highly purified form of cellulose extracted from wood through specialised cellulose chemistry. DWP is the primary input into the manufacture of viscose staple fibre (**VSF**) which is a natural substitute for cotton and polyester in the textile industry.

Sappi produces DWP in South Africa and North America. Sappi is the world's largest manufacturer of DWP and exports almost all of the production from our Saiccor and Ngodwana Mills in South Africa and Cloquet Mill in the United States. DWP can also be processed into products used in food and beverages, health and hygiene products, wrapping and packaging, pharmaceuticals and many more applications that touch our daily lives. With a total global DWP capacity of over 1.3 million tons, we currently supply 17% of global demand from our three mills. A truly sustainable raw material, DWP is noted for its versatility. We are innovators in this market – capitalising on years of experience to create personalised solutions for customers across multiple sectors.

Demand for DWP used in textiles, particularly for viscose, is both the largest market and fastest growing, while end markets and demand growth for other, more highly purified forms of cellulose can be characterised as smaller, and with slower growth rates. Based on the growth rate in the overall textile market (driven by factors such as population growth and wealth effects) and the move towards more comfortable, environmentally friendly natural fibres, we expect long-term growth of 4% to 5% per annum for DWP.

In 2013, Sappi converted facilities in both North America and Southern Africa from paper grade pulp to DWP to capture the growth in this market and we have plans to invest further in the forthcoming years. We are currently debottlenecking our Saiccor, Ngodwana and Cloquet Mills, adding 90,000 tons by the end of 2019, and we maintain the flexibility to increase our production in North America by utilising swing capacity at our Cloquet Mill, which will add 100,000 tons of DWP production.

Market prices for DWP are derived from several supply and demand factors. Swing capacity – mills that can shift production between paper grade pulps, fluff pulps, and DWP – can and do optimise their facilities largely depending on the price differential of the markets they choose to serve. DWP is historically priced at a premium to paper grade pulps due to the

lower yield per ton of wood and typically lower production volumes. When the price differential becomes sufficiently wide, swing producers may elect to produce DWP, or vice versa. The availability of cotton linter pulp, a competing source of cellulose for VSF production, also plays a role in determining the DWP price. In the last six years almost 50% of Chinese cotton linter pulp capacity closed due to the enforcement of more stringent environmental standards. Lastly, our customers – VSF producers – and the prices they realise on their products are governed by their own supply/demand dynamics and will influence the DWP market price.

### ***Our markets in 2017 and outlook for 2018***

Viscose production grew 11% in China in the first nine months of 2017 relative to the same period last year as producers added capacity. Consequently, demand for DWP grew at a similar rate. Despite this rapid growth in demand and production, prices for DWP declined from their highs in November 2016 of US\$990/ton to approximately US\$830/ton in June 2017 as a result of a slowdown in VSF production and a rise in DWP inventories. Subsequently, viscose inventories declined to historic lows, and prices for DWP increased for the balance of the fiscal year and are currently at US\$935/ton in November 2017.

Sales volumes in fiscal 2016 were hampered by drought conditions in Southern Africa and an extended shut at our Ngodwana Mill. Production and sales volumes grew 6% in 2017. During the year, we began debottlenecking projects at our Ngodwana and Saiccor Mills in Southern Africa. These projects are expected to add approximately 60,000tpa to our current capacity. We anticipate these projects to begin making incremental volumes in the latter half of fiscal 2018. At Cloquet Mill, we aim to optimise profitability by utilising our swing capability depending on the price differential between DWP versus the price of buying market pulp for our two paper machines. We will also be adding 30,000 tons at the Cloquet Mill through debottlenecking in a project that will be completed in 2019.

We believe spot prices for DWP will continue to rise in the near term, mostly due to swing capacity moving away from DWP and toward hardwood paper pulp. Hardwood paper pulp prices have been on a clear upward trend through 2017 due to the closure of non-competitive and environmentally unfriendly paper pulp capacity in China. Chinese paper producers are also facing an import shortage on recovered paper forcing them more toward virgin fibre for paper production. Rising hardwood paper pulp prices should cause market prices for DWP to follow. We anticipate cotton linter pulp availability to continue to decline and, as such, demand for DWP will continue to grow.

More recently, we have seen a push for viscose manufacturers to source their DWP from sustainable forests – forests that are PEFC, FSC and/or SFI certified. Sappi adheres to strict sustainability guidelines put forth by these organisations to ensure our products not only meet, but exceed current environmental certification standards.

We expect demand to continue to grow, and we strive to serve our customers with unmatched quality, consistency and scale. The long-term market fundamentals for DWP are very attractive. Our competitive and geographic positioning provides us with the platform to grow the business further.

#### **a. Specialities and packaging papers**

**Specialities and packaging paper products are an exciting growth area in Sappi. They offer customers an opportunity to add value to their products in niche markets where requirements are more specific and tailor-made.**

Converters and end-use customers choose Sappi's coated and uncoated speciality paper, such as paper used in flexible packaging, for food and luxury packaging for consumer goods and aspirational products, as well as packaging paper to protect products. Demand for these papers is growing as a result of the superior print quality and versatility the paper offers compared to non-paper options. Converters and customers also appreciate paper's haptic potential, further extending the marketing message of a product's campaign and creating an all-round sensory experience. Specialities and packaging papers can be customised and personalised with printing (both digital and litho), varnishing, foiling, embossing and folding. Environmental concerns, governmental regulations and customer demands are all contributing to make this segment an exciting growth part of Sappi's

business.

Sappi offers products and solutions in many different segments including:

<b>Product</b>	<b>Description and Typical Uses</b>
<b>Flexible packaging</b>	Flexible packaging with coated and uncoated paper for food and non-food applications, such as sachets, pouches and wrappers.
<b>Label papers</b>	Label papers for pressure sensitive and wet adhesive applications.
<b>Functional papers</b>	Functional papers that offer highly efficient paper-based solutions with integrated functionality, like paper with barriers against mineral oil residuals, oxygen, water vapour and grease as well as sealing properties.
<b>Containerboard</b>	Containerboard, including liner and fluting, for corrugated boxes. Sappi's products are found in applications like consumer packaging, shelf ready packaging and transport packaging for agricultural and industrial uses.
<b>Paperboard</b>	Paperboard, such as solid bleached board and folding box board for luxury packaging with more graphic applications. Packaging for cosmetic, perfume, confectionery and premium beverages use our products
<b>Release liner</b>	Release liner with silicon base papers for self-adhesive applications, such as graphic art applications with outdoor advertisement and adhesive tapes and office material.
<b>Technical papers</b>	Technical papers for interleaving and thermal coating, for example, tickets for boarding pass and concert/ stadium tickets.
<b>Casting and release papers</b>	Casting and release papers used by suppliers to the fashion, textiles, automobile and household industries. It is used in the manufacture of synthetic leather and decorative laminate products, creating textures that make designs come to life.
<b>Tissue paper</b>	Tissue paper used for toilet tissue, kitchen towels, serviettes and medical and industrial wipes.

### ***Global market size***

One of our strategic pillars is to invest in adjacent areas with strong potential for growth.

Four years ago, Sappi invested €60 million to rebuild paper machine number two at our Alfeld Mill, converting the coated wood free paper machine to coated specialties in order to support growth in this market. Four years later, we find ourselves capacity constrained at Alfeld Mill, with investments underway at our Ehingen and Maastricht Mills to convert printing paper capacity to specialties and packaging paper in order to match our capacity with demand in both markets. Specialties and packaging papers are also made in North America at our Somerset, Westbrook and Cloquet Mills and at Tugela and Ngodwana Mills in Southern Africa.

Sappi enjoys clear competitive advantages in this sector. We are experts at coating surfaces. We have a deep understanding of what happens to a substrate when a coating is applied, and we have experience in specialised chemistry to modify coatings to match a wide variety of customer preferences. We manufacture from a suite of machines from

Europe, North America and Southern Africa, ensuring scale-based efficiencies and security of production, lower production costs, and passing savings on to our customers.

Sappi is geared to serve diverse customer markets with smart sustainable solutions for light and heavyweight packaging that can be recycled and is biodegradable.

### ***Our markets in 2017 and outlook for 2018***

Demand for Sappi's wide range of products continues to grow in the specialties and packaging papers market, reflecting the increasing needs from customers for more sustainable and environmentally-friendly packaging solutions. We estimate global growth across the spectrum of our product focus is growing at approximately 3% per year. However, in fiscal 2017, demand for our products grew 15% relative to last year as we grew market share and developed new products to meet changing market demands. Average realised prices were flat relative to last year for the European portion of this business due to the translation impact of a stronger Euro on export sales. EBITDA margins were better than those achieved last year due to higher volumes and lower costs.

Our specialties and packaging business in North America also experienced good growth this year. Demand for our coated one-side label paper grew from a small base and we gained market share during the year. Margins grew relative to last year from better volumes and lower costs, whereas realised prices were flat. In 2017, we began work at our Somerset Mill to transition PM1 to make specialties and packaging papers. During the next three years, we expect to reduce coated wood free sales by approximately 150,000tpa and to increase specialties and packaging paper sales by 350,000tpa.

In the containerboard market in Southern Africa, Sappi largely serves the agricultural sector with carton board to protect fresh produce as it is exported around the world. Volumes were 1% better than last year and average pricing was 9% higher than last year. As this market is expected to grow by 4% to 5% per annum going forward, we have plans to grow our capacity in order to meet that demand.

We have witnessed a growing need for more sustainable and environmentally-friendly packaging solutions from a wide variety of industries and sectors forced to review the effects that their packaging materials have on the environment. When a producer reviews the packaging component of its entire product, it generally regards the packaging aspect as a high-risk/low-cost part of its operation. With this newfound spotlight on packaging of products, and the role packaging paper can play, not only in regard to environmental standards, but in the other functions packaging papers can play – from moisture controls, barrier papers, heat-sealing, or even grease resistant barriers – we will be an innovative and trusted supplier, working with customers to find the solutions they require.

#### **b. Graphic papers**

**Publishers, advertising agencies, designers and corporate end-users who want to make an impact with their brands know paper is an integral part of the marketing and now science tells us why.**

Neuroscientists find that people absorb content through touch as well as sight, and touch influences our decisions powerfully at a subconscious level. The physicality of ink on paper elicits human emotions in ways that computer screens do not, because paper's tactile quality engages the brain differently. Online, our eyes skim and scan information in a distinctive pattern. On paper, the pattern is much different. As we read, our fingers infuse the experience with touch-information that subtly shapes our perception of the content. On paper, we read more deeply, more responsively, and transfer more of what we read to long-term memory. Studies of direct mail, for example, show print ads generate more emotional response than digital ads and are remembered longer, and specific tactile qualities like warmth, weight, and texture influence cognitive response in ways that lie just beneath our conscious recognition. This use of paper and print is important to marketers who want their brands noticed, and remembered.

Product	Description and Typical Uses	Demand Trends
<b>Coated wood free paper</b>	Printers and publishers use coated wood free paper for a variety of marketing promotions including brochures, catalogues, calendars, annual reports, direct mail, textbooks and magazines. Coated paper is brighter, smoother and tends to have greater opacity than uncoated grades. In FY2017, 46% of Sappi's sales were in this segment, typically through large paper merchants.	Advertising spend follows consumer behaviour and as consumers are spending more time using digital and electronic platforms, advertisers are shifting their budgets away from printed materials. Although global demand for coated wood free paper is expected to decline 1% to 2% year-on-year, we do, however, believe that there will always be a place for quality coated wood free paper in the advertising mix.
<b>Coated mechanical paper</b>	Coated mechanical paper is primarily used in magazines, catalogues and other advertising materials. In FY2017, 10% of Sappi's sales constituted coated mechanical paper. Customers for this paper are typically large merchants, large printers and publishers of weekly or monthly magazine titles.	Demand for coated mechanical paper is more closely linked to that of demand for magazines. As readership, subscriptions, circulation, pagination and advertising revenue per page continue to decrease, demand for this paper is forecast to decline more rapidly than for coated wood free paper.
<b>Uncoated wood free paper</b>	Uncoated wood free paper is used in letterhead, envelopes, business stationery, photocopy paper, cut-size, preprint, and office paper, with certain brands used for books, brochures and magazines. Uncoated paper absorbs ink faster, which means the text or images are not as crisp. In FY2017, 5% of Sappi's sales were made up of uncoated wood free paper. Typically large paper merchants are our main customers in this sector.	Demand for uncoated wood free paper is expected to remain flat over the next several years. Demand is expected to fall in mature markets, where adoptions of paperless solutions are expected to continue. Much of that decline is expected to be offset by growth in emerging economies.
<b>Newsprint paper</b>	Newsprint, 1% of Sappi's sales, is manufactured from mechanical and bleached chemical pulp, with uses including advertising inserts and newspapers.	Demand for newsprint is highly dependent on newspaper circulation and retail advertising. Though demand for newsprint continues to decline at a global level, our newsprint volumes were 10% higher in fiscal 2017 relative to last year, due to a capacity closure by a competitor in the local South African market.

#### ***Our markets in 2017 and outlook for 2018***

Average EBITDA margins were flat relative to last year. Lower average selling prices and rising paper pulp and latex costs offset gains from 2% growth in volume. During the FY2017, we announced that we would begin investing in our specialities and packaging papers businesses in Europe and North America. In Europe, we will collectively spend

approximately US\$140m over three years at our Maastricht, Eningen, Alfeld and Lanaken mills to enable us to make approximately 200,000tpa of solid bleached board, folding boxboard and white top liner, as well as increase the flexibility of our assets to serve the market for our customary printing papers. In North America, we plan to spend approximately US\$165m at our Somerset Mill to allow for the production of SBS board on PM1. Both these projects are aligned to our strategy of rationalising declining businesses and accelerating growth in high margin products.

Our outlook for 2018 is for average realised prices to be higher than that of FY2017. We announced and implemented price increases in both Europe and North America in the latter half of fiscal 2017 and more have been announced for January 2018. Mill closures from two of our North American competitors and our own conversion of PM1 at Somerset Mill, which will take place in mid-2018, will keep utilisation rates high. Increased paper pulp prices, a key input cost and good export demand are driving coated wood free prices higher in Europe. In both Europe and North America, cost control remains a primary focus.

#### **4. GROUP FUNDING**

The Sappi Group generally borrows in the currency of the country in which it invests. Thus, funding for Sappi's international business is raised on the consolidated balance sheet of Sappi Papier Holding GmbH (Austria) and the Group treasury operations, Sappi International SA (Belgium). Sappi Southern Africa, however, raises its funding independently of the international business in South African Rand based on its own balance sheet.

As at September 2017, Sappi Southern Africa had ZAR18 813.6 million in shareholder's equity and was in a positive ZAR1 279 million net cash position. Sappi Southern Africa's debt to equity ratio of (6.8%) is therefore considered to be conservative when compared to its financial covenants with the banks allowing a maximum leverage of 65%.

#### **5. SAPPI SOUTHERN AFRICA**

##### **5.1 Overview**

Sappi Southern Africa has a tradition of innovating and developing new products to meet the demand for DWP, specialties and packaging papers, printing and writing papers, as well as biomaterials and biochemicals to our direct and indirect customer base.

Our DWP (specialised cellulose) products are used worldwide by converters to create viscose fibre for fashionable clothing and textiles, pharmaceutical products as well as a wide range of consumer and household products. Quality specialties and packaging papers are used in the manufacture of such products as soup sachets, cosmetic and confectionery packaging, boxes for agricultural products for export, tissue wadding for household tissue products and casting and release papers used by suppliers to the fashion, textile, automobile and household industries. Our range of printing and writing papers include paper products used by printers in the production of books, brochures, magazines, catalogues, direct mail, stationery and newspapers.

The wood and pulp needed for our products is either produced within Sappi or brought from accredited suppliers. Across the group, Sappi is close to 'pulp neutral', meaning that we sell almost as much pulp as we buy. Sappi Forests supplies over 64% of the wood requirements of Sappi Southern Africa from both our own and committed commercial timber plantations of 479,000 hectares. This equates to approximately 27.4 million tons of standing timber. All wood grown on Sappi-owned land and a large proportion grown on plantations managed by us, is Forest Stewardship Council® (FSC®) and ISO 9000 certified. Approximately 139,200 hectares of our land is set aside and maintained by Sappi Forests to conserve the natural habitat and biodiversity found there including indigenous forests and wetlands.

We have a strong focus on social responsibility in South Africa. This is an economic imperative in the region. Our plantations and most of our mills are located in rural areas and we therefore have an important influence on development in these areas. We continue to make progress on each of the elements of our Broad-based Black Economic Empowerment (BBBEE) scorecard.

Full details of our education, training, health and environmental initiatives can be found on our website [www.sappi.com](http://www.sappi.com).

Sappi Southern Africa accounted for US\$1,372 million or 26% of the Group's sales in fiscal 2017. The Sappi Southern Africa segment comprises three separate divisions: Sappi Specialised Cellulose, Sappi Paper and Paper Packaging and Sappi Forests.

## 5.2 Sappi Southern Africa: Major Product Categories

Sappi Southern Africa Ltd produces DWP, paper grade pulp, paper and wood products for use in the Southern Africa and export markets.

### ***Sappi Specialised Cellulose***

The Sappi Group is the world's largest manufacturer of DWP and exports almost all of the 1million tons produced by Sappi Southern Africa at the Saiccor and Ngodwana Mills. When converted to viscose staple fibre (VSF), DWP is a natural substitute in many applications for cotton and polyester and this is used in the manufacture of a wide range of consumer products, including in textiles for fashion clothing and household linen. DWP can also be processed into products used in food and beverages, health and hygiene products, wrapping and packaging, pharmaceuticals and many more applications that touch our daily lives.

### ***Sappi Paper and Paper Packaging***

The South African paper business produces 685 000 tons of kraft linerboard, corrugating medium, newsprint, office paper and tissue paper which are largely sold regionally, where we have strong market positions in most of these products. We also produce 526 000 tons of paper pulp and collect 142 000 tons of recycled waste paper. On a net basis we are approximately self-sufficient for our pulp requirements.

### ***Sappi Forests***

Sappi Southern Africa owns or leases 387,000 hectares (ha) with approximately 27.4 million tons of standing timber and 139,000ha being used for other purposes such as conservation. Contracted supply covers almost 92,000ha. Of the 233,600ha planted at the end of FY2017, 58% was hardwood and 42% softwood, and of contracted supply, 90% is hardwood. These plantations provide approximately 64% of the wood requirements for the Southern Africa mills. Our aim is to produce low-cost wood with the required pulping characteristics and increase yield per hectare. We actively pursue this aim, particularly through genetic improvement of planting stock.

## 5.3 Facilities and Operations

The following chart sets forth certain information with respect to the mills and principal products of Sappi Southern Africa as of September 2017:

Plantations*	Products Produced	Ha	Capacity <sup>(1)</sup>	M3	Employees
			( <sup>'000 tons</sup> Standing tons)		
KwaZulu-Natal	Plantations (pulpwood and saw logs)**	221	11 017		
Mpumalanga	Plantations (pulpwood and saw logs)**	258	16 380		
Sawmills	Sawn timber (m3)			102	
<b>Total Sappi Forests</b>		<b>479</b>	<b>27 397</b>	<b>102</b>	
Ngodwana Mill	Unbleached chemical pulp for own			220	



	consumption		
	Mechanical pulp for own consumption	110	
	Kraft linerboard	240	
	Newsprint	140	
Stanger Mill	Bleached bagasse pulp for own consumption	60	
	Office paper and tissue paper	110	
Tugela Mill	Neutral sulfite semi-chemical pulp for own consumption	135	
	Corrugating medium	195	
Sappi ReFibre***	Waste paper collection and recycling for own consumption	140	
<b>Total Sappi Paper and Paper Packaging</b>		<b>685</b>	<b>665</b>
Ngodwana Mill	Dissolving wood pulp	210	
Saiccor Mill	Dissolving wood pulp	800	
<b>Total Sappi Specialised Cellulose</b>			<b>1 010</b>
<b>Total Sappi Southern Africa</b>		<b>685</b>	<b>1 675 4 701</b>

<sup>(1)</sup> Capacity at maximum continuous run rate.

\* Approximately 139,200ha of our land is set aside and maintained by Sappi Forests to conserve the natural habitat and biodiversity found there.

\*\* Plantations include owned and leased areas as well as projects.

\*\*\* Sappi ReFibre collects waste paper in the South African market which is used to produce packaging papers.

#### 5.4 Markets and operations

Growing demand for DWP, constrained cotton supply, and good customer operating rates continue to support our specialised cellulose business. Demand for VSF, and therefore DWP, continued to be linked to the growth in the overall textile market. Sappi Southern Africa's sales volumes in 2017 were approximately 8% higher than those in 2016 due to increased production at the Saiccor and Ngodwana Mills, following the drought that was experienced in KwaZulu-Natal and the extended annual maintenance shut at Ngodwana Mill which impacted 2016 production rates. The US Dollar spot prices for DWP increased year on year by approximately 5% to the current level of US\$913/ton.

The South African paper business enjoyed record profitability in financial year 2017. Sales demand was strong and the average net sales prices rose during the year.

The average rate of the ZAR strengthened by 10% to the US Dollar for the year, and had a significant negative impact on the company's results. Increased selling prices, strong local market conditions and higher sales volumes in DWP reversed the effect of the stronger R/US\$ volumes in both the DWP and paper businesses.

The cost of imported variable cost items increased in local currency terms however a lower energy cost helped offset the import price component of chemical inputs. Fixed cost increased by 7% year-on-year mainly due to higher manpower and maintenance cost.

The net result of the above is a Rand annual operating profit of ZAR4 048 million.

Sappi Southern Africa's sales for 2017 in Rand terms increased by 3% to R17 839 million compared to 2016 (R17 262 million).

Sappi Southern Africa's EBITDA reduced to R4 831 million in 2017 from R5 541 million in 2016, while the EBITDA margin declined to 27% from the prior year's 32% margin. Operating profit decreased to R4 048 million in 2016 (R4 848 million in 2016). In 2017 Sappi Southern Africa achieved a 21% "Return on Net Operating Assets", compared to the 30% it achieved in 2016.

We regard ownership of our plantations as a key strategic resource which gives us access to low cost fibre for our pulp production and ensures continuity of an important raw material input source. As we manage our plantations on a sustainable basis, the growth in plantations over the year was largely offset by felling in the year. A positive fair value price adjustment of R287 million was recorded in fiscal 2017 due mainly to the rolling forward of the higher average fair value rates offset by reduced market prices and higher fuel and contractor costs.

Regrettably the company reported the fatalities of two own employees and two contractors in our manufacturing and forestry business during the past financial year. Management and the Sappi Group board have placed even greater emphasis on safety, particularly in our plantation operations where most of our severe and fatal accidents have occurred. We will continue to focus on entrenching a strong safety culture, with the ultimate aim of zero accidents in the workplace.

## **5.5 Outlook**

Market prices for DWP are determined by a number of factors. Approximately a quarter of current global DWP capacity has the ability to switch between various fluff and paper pulp grades and DWP. The decision to switch is usually based on the pricing differential between the particular paper grade pulp and DWP. Textile prices also influence DWP prices as this determines the maximum affordable price our customers can bear. Lastly, the DWP supply and demand balance as well as the availability and pricing of alternative sources of cellulose to the VSF market, such as cotton linter pulp, can affect the market price for DWP.

Based on the growth rate in the overall textile market (driven by factors such as population growth and wealth effects) and the move towards more comfortable, environmentally friendly natural fibres, we expect long-term growth of 4-5% per annum for DWP. Forecast growth is largely driven by growth rates in the viscose staple fibre (VSF) segment

In the containerboard market in Southern Africa, a strong fruit and vegetable season boosted sales.

Most of Sappi's containerboard sales are into the agricultural market, which is expected to grow by 3% per annum going forward.

## **5.6 Financial Highlights**

Please refer to the financial statements as published on our website at [www.sappi.com](http://www.sappi.com) and which have been incorporated by reference into this Programme Memorandum

## **5.7 Risks**

The Sappi group has an established culture of managing key risks. It has a significant number of embedded processes, resources and structures in place to address risk management requirements. These range from its internal audit systems, insurance, IT security, compliance and governance processes, quality management and a range of other line management interventions.

The Group Risk Management Policy is aimed at enhancing value for all of Sappi's stakeholders. In the broadest sense, effective risk management ensures continuity of operations, service delivery, achievement of objectives (strategic and otherwise), and the protection of the interests of the group. To achieve objectives, the risk management process is aligned with and compatible with Sappi's strategy. This policy takes into account the recommendations set out in ISO standard 31000 (a guidance only standard) – 'Risk management – Principles and guidelines', as well as King IV.

The Sappi Limited board of directors is responsible for the governance of risk. The Sappi Limited Audit Committee, in its capacity as a board committee, is tasked with assisting the board in carrying out its risk management responsibilities at the group level. Notwithstanding the above, the responsibility for the implementation of risk management processes rests with the line management in each region, division and operation/business unit.

Group internal audit provides independent assurance on the risk management process.

For an analysis of the principal financial risks to which Sappi is exposed, please see note 31 contained in the Group Annual Financial Statements, which is available on the group's website at [www.sappi.com](http://www.sappi.com).

For a detailed discussion of the group's risk factors, please see the separate 2017 Risk Management Report, which is available on the group's website at [www.sappi.com](http://www.sappi.com).

### **Top 10 key risks**

**1. We operate in a cyclical industry and as such, global economic conditions may cause substantial fluctuations in our results.**

Our products are significantly affected by cyclical changes in industry capacity and output levels as well as by the impact on demand from changes in the world economy. Because of supply and demand imbalances in the industry, these markets historically have been cyclical with volatile prices. In addition, turmoil in the world economy has historically led to sharp reductions in volume and pressure on prices in many of our markets. We are continuously taking action to improve efficiencies and reduce costs in all aspects of our business. We will continue to monitor the supply/demand balance, which might require us to impair operating assets and/or implement further capacity closures.

**2. The markets for pulp and paper products are highly competitive, and some of our competitors have advantages that may adversely affect our ability to compete with them.**

There is a trend towards consolidation in the pulp and paper industry creating larger, more focused companies. We continue to drive good customer service, innovation and efficient manufacturing and logistics. We are focused on improving the performance and competitiveness of our businesses. We continue to drive down costs across all our businesses.

**3. We require a significant amount of financing to fund our business and service our debt. Our ability to generate sufficient cash depends on many factors, some of which are beyond our control.**

Our ability to fund our working capital, capital expenditure, research and development requirements and to make payments on our debt principally depends on cash available from our operating performance, credit facilities and other debt arrangements.

Our year-end cash balance and our committed revolving credit facilities provide us with material headroom to fund our short-term requirements. Our extended debt maturity profile indicates no material short-term refinancing requirements. We are also focusing on profit improvement in our operations by reducing fixed and variable costs, spending capital prudently and managing working capital levels.

During the third quarter of fiscal 2017 we repaid the 2017 SPH US\$400 million bonds utilising our existing cash resources. This will lower the ongoing net interest charge by approximately US\$21 million per annum.

**4. New technologies or changes in consumer preferences may have a material adverse effect on our business.**

Trends in advertising, electronic data transmission and storage, the internet and mobile devices continue to have adverse effects on traditional print media and other paper applications, including our products and those of our customers. Digital alternatives to many traditional paper applications, including print publishing and advertising and the storage, duplication, transmission and consumption of written information more generally, are now readily available and have begun to adversely affect demand for certain paper products. For example, advertising expenditure has gradually shifted away from the more traditional

forms of advertising, such as newspapers, magazines, radio and television, which tend to be more expensive, toward a greater use of electronic and digital forms of advertising on the internet, mobile phones and other electronic devices, which tend to be less expensive. We have been and are implementing strategic initiatives to improve profitability, including restructuring and other cost-saving projects, measures to enhance productivity, as well as an expansion of our higher-margin speciality businesses. Our entrenched leading market share and low production cost, positions us well to take advantage of the growth in the dissolving wood pulp market and to continue generating good margins.

During the year, we strengthened our biotech division and bolstered our bio refining expertise through the acquisition of the Xylex® and Versalac® technologies owned by Plaxica Limited. This acquisition is another definitive step towards building a meaningful bio product business in executing our 2020Vision.

We invested in our specialities and packaging papers business through the acquisition of the barrier film technology of Rockwell Solutions Limited, a well-known producer of heat sealable, peelable lidding films. Gaining access to the technology of Rockwell Solutions enables Sappi to accelerate the development of our own solutions and will allow us to offer our customers an even wider range of barrier coated packaging solutions.

**5. The cost of complying with environmental, health and safety laws may be significant to our business.**

Our aim is to minimise our impact on the environment. The principles of ISO 14000, Forest Stewardship Council® (FSC®), SFI®, PEFC™ and other recognised programmes are well entrenched across the group. We have also made significant investments in operational and maintenance activities related to reductions in air emissions, wastewater discharges and waste generation. However, we are subject to a wide range of environmental, health and safety laws and regulations in the various jurisdictions in which we operate. We closely monitor the potential for changes in pollution control laws, including GHG emissions requirements, and take action with respect to our operations accordingly. We invest to maintain compliance with applicable laws and cooperate across regions to apply best practices in a sustainable manner.

**6. Fluctuations in the value of currencies, particularly the Rand and the Euro in relation to the US Dollar, have in the past had, and could in the future have, a significant impact on our earnings in these currencies.**

We are exposed to economic, transaction and translation currency risks. The objective of the group in managing transactional currency risks is to ensure that foreign exchange exposures are identified as early as possible and actively managed. In managing transactional currency risks, the group first makes use of internal hedging techniques (hedging to the functional currency of the entity concerned) with external hedging being applied thereafter. External hedging techniques consist primarily of foreign exchange contracts and currency options. Foreign currency capital expenditure on projects is covered as soon as practical (subject to regulatory approval). For further detail, see note 31 contained in the Group Annual Financial Statements, which are available online at [www.sappi.com](http://www.sappi.com).

**7. The inability to obtain energy, raw materials or water at reasonable prices, or at all, could adversely affect our operations.**

We require substantial amounts of wood, chemicals, energy and water for our production activities. The prices for and availability of these items may be subject to change, curtailment or shortages. To mitigate the risk, we are improving procurement methods, finding alternative lower-cost fuels and raw materials, minimising waste, improving manufacturing and logistics efficiencies and implementing energy reduction initiatives, such as increasing renewable energy, promoting cogeneration, investigating biofuel opportunities, promoting

water efficient production processes and infrastructure upgrades.

8. **A limited number of customers account for a significant amount of our sales. Therefore, should adverse changes in economic market conditions have a negative impact on them, it could materially adversely affect our results of operations and financial position.**

We sell a significant portion of our products to several significant customers. During FY2017, however, no single customer individually represented more than 10% of our total sales. Any adverse development affecting our significant customers or our relationships with such customers could have an adverse effect on our credit risk profile, our business and results of operations. We are, on a continuous basis, working to expand and diversify our customer base.

9. **A large percentage of our employees are unionised, and wage increases or work stoppages by our unionised employees may have a material adverse effect on our business.**

A large percentage of our employees are represented by labour unions under collective bargaining agreements, which need to be renewed from time to time. In addition, we have in the past and may in the future seek, or be obligated to seek, agreements with our employees regarding workforce reductions, closures and other restructurings. We may become subject to material cost increases or additional work rules imposed by agreements with labour unions, which could increase expenses in absolute terms and/or as a percentage of net sales. A concerted effort is being made across all our regions to interact and engage with our union representatives and organised labour on a frequent basis and to work on building constructive work relationships.

10. **Injuries and fatalities.**

We operate a number of manufacturing facilities and forestry operations. The environment at these facilities is inherently dangerous. The health and safety of our own employees and contractors remain a top priority. We minimise on-the-job injuries and fatalities by:

- Performing root cause analyses of all major incidents and fatalities, which are reviewed at all levels of the business including the board
- Group and industry-wide sharing of all incidents and associated mitigating steps, thereby helping to ensure that all our regions remain in the top 10% quartile for our industry
- Enforcing compliance with behaviour-based safety (BBS) principles
- Providing continuing education and having a disciplined approach to all transgressions of our safety policies, inclusive of our contractors, and
- Encouraging a reporting culture of near miss incidents.

## 5.8 DIRECTORS – SAPPI SOUTHERN AFRICA LIMITED

Director	Appointed	Resigned
Alex Thiel	1 December 2010	
Pramy Moodley	1 January 2017	
Steven Binnie	1 September 2012	
Glen Pearce	1 July 2014	
Deon van Aarde	1 June 2007	1 April 2017
Tyrone Hawkes	24 February 2009	1 April 2017
Nat Maelane	2 June 2008	1 April 2017
Fergus Marupen	1 May 2015	1 April 2017
Gary Bowles	10 January 2011	1 April 2017
Patrick McGrady	1 August 2010	1 April 2017

Dr Terence Stanger	1 January 2014	1 April 2017
Richard Wells	1 January 2016	1 April 2017
Andrea Rossi	1 July 1998	1 April 2017
Maarten van Hoven	2 July 2012	1 April 2017
Colin Maxwell Mowatt	9 March 2007	31 December 2016

#### **Secretaries**

Sappi Limited  
108 Oxford Road  
Houghton Estate 2198  
South Africa  
Telephone +27 (0) 11 407 8111  
Telefax +27 (0) 11 339 1881  
e-Mail  
[Amanda.Tregoning@Sappi.com](mailto:Amanda.Tregoning@Sappi.com)

#### **Registered Office**

108 Oxford Road  
Houghton Estate 2198  
South Africa  
Telephone +27 (0) 11 407 8111

## **6. GOVERNANCE**

Sappi is committed to high standards of corporate governance which form the foundation for the long-term sustainability of our company and creation of value for our stakeholders. Good governance at Sappi contributes to living our values through enhanced accountability, a transparent and ethical culture, strong risk management, a focus on performance, legitimacy and effective control of the business. The group endorses the recommendations contained in the King Code of Governance Principles for South Africa 2016 (King IV) and applies the various principles. An application register of how Sappi applies the King IV principles is provided on pages 72 to 75 of the group annual integrated report.

### **6.1 Corporate Governance**

#### **6.1.1 The board of directors**

The basis for good governance at Sappi is laid out in the board charter, which sets out the division of responsibilities between the board and executive management. The board collectively determines strategies, approves major policies and plans, is responsible for risk management, and provides oversight as well as monitoring, to help to ensure accountability. The board is satisfied that it has fulfilled its responsibilities in accordance with its charter for the reporting period.

For further information about the board and the board charter please refer to [www.sappi.com](http://www.sappi.com).

#### **6.1.2 Induction and training of directors**

Following appointment to the board, directors receive induction and training tailored to their individual needs, when required. For further information refer to [www.sappi.com](http://www.sappi.com).

#### **6.1.3 Board committees**

The board has established committees to assist it to discharge its duties. The committees operate within written terms of reference set by the board.

##### **Audit committee**

The Audit Committee consists of five independent non- executive directors and assists the board in discharging its duties relating to:

- Safeguarding and efficient use of assets
- Oversight of the risk management function

- Oversight of information and technology risks, related controls and governance
- Oversight of non-financial risks and controls, through a combined assurance model
- Operation of adequate systems and control processes
- Reviewing financial information and the preparing of accurate financial reports in compliance with applicable regulations and accounting standards
- Reviewing sustainability information included in the Annual Integrated Report
- Reviewing compliance with the group's Code of Ethics and external regulatory requirements
- Oversight of the external auditors' qualifications, experience and performance
- Oversight of the performance of the internal audit function
- Oversight of the performance of the finance function
- Oversight of taxation policies, congruent with responsible corporate citizenship, and
- A formal review of the committee's operating effectiveness and performance every two years by way of an assessment with feedback being provided to the board.

The Audit Committee confirms that it has received and considered sufficient and relevant information to fulfil its duties, as set out in the Audit Committee Report in the Group

#### *Annual Financial Statements*

The external and internal auditors attended Audit Committee meetings and had unrestricted access to the committee and Chairman. The external and internal auditors met privately with the Audit Committee during 2017.

Dr D Konar has been designated as the Audit Committee financial expert and attended the Annual General Meeting in 2017

#### **Nomination and governance committee**

The Nomination and Governance Committee consists of three independent directors and considers the leadership requirements of the company including a succession plan for the board. The committee identifies and nominates suitable candidates for appointment to the board in line with Sappi's policy on the promotion of gender and race diversity at board level, for board and shareholders' approval. The committee considers the independence of candidates as well as directors. The committee makes recommendations on corporate governance practices and disclosures, and reviews compliance with corporate governance requirements. The committee has oversight of appraising the performance of the board and all the board committees. The results of this process and recommended improvements are communicated to the chairman of each committee and the board. The functioning and performance of Sappi's board and board committees were assessed internally in 2017 and established that the board and board committees functioned well.

#### **Human Resources and Compensation Committee**

The Human Resources and Compensation Committee consists of four independent directors. The responsibilities of the Human Resources and Compensation Committee are, among others, to provide oversight of the group's human capital, determine the group's human resource policy and strategy, assist with the hiring, and setting of terms and conditions of employment of executives, the approval of retirement policies, and succession planning for the CEO and management. The committee ensures that the compensation philosophy and practices of the group are aligned to its strategy and performance goals. It reviews and agrees the various compensation programmes and in particular the compensation of executive directors and senior executives as well as employee benefits. It also reviews and agrees executive proposals on the compensation of non-executive directors for approval by the board and ultimately by shareholders.

The Remuneration Report can be found on pages 76 to 88 of the group annual integrated report.

#### **Social, Ethics, Transformation and Sustainability Committee**

The Social, Ethics, Transformation and Sustainability (SETS) Committee comprises at

least three independent non- executive directors and the CEO. Other executive and Group Management Committee members attend SETS Committee meetings by invitation. Its mandate is to oversee the group's sustainability strategies, ethics management, good corporate citizenship, labour and employment practices, as well as its contribution to social and economic development and, with regard to the group's Southern African subsidiaries, the strategic business priority of transformation.

Regional sustainability councils provide strategic and operational support to the SETS Committee in dealing with day-to-day sustainability issues and helping to develop and entrench related initiatives in the business.

For more information on sustainability at Sappi refer to pages 32 to 57 of the group annual integrated report and for a summary of the group's initiatives at [www.sappi.com](http://www.sappi.com).

#### **6.1.4 Management committees**

The board assigns responsibility for the day-to-day management of the group to the CEO. To assist the CEO in discharging his duties, a number of management committees have been formed. Some of these committees also provide support for specific board committees.

##### **Executive Committee**

This committee comprises executive directors and senior management from Sappi Limited as well as the CEOs of the three main regional business operations and the specialised cellulose business. The CEO has assigned responsibility to the Executive Committee for a number of functional areas relating to the management of the group, including the development of policies and alignment of initiatives regarding strategic, operational, financial, governance, sustainability, social and risk processes. The Executive Committee meets at least five times per annum.

##### **Disclosure Committee**

The Disclosure Committee comprises members of the Executive Committee and senior management from various disciplines. Its objective is to review and discuss financial and other information prepared for public release. It is the ultimate decision-making body, apart from the board, with regard to disclosure.

##### **Treasury Committee**

The Treasury Committee meets monthly to assess financial risks on treasury-related matters.

##### **Technical Committees**

The Technical Committees focus on global technical alignment, performance and efficiency measurement as well as new product development.

##### **Group Risk Management Team**

The board mandates the Group Risk Management Team (GRMT) to establish, coordinate and drive the risk management process throughout Sappi. It has established a risk management system to identify and manage significant risks. The GRMT reports regularly on risks to the Audit Committee and the board. Risk management software is used to support the risk management process

##### **Internal Control Steering Committee**

The Internal Control Steering Committee supported by the internal control function provides regular oversight and guidance to the business on internal controls and combined assurance for financial, strategic and operational risks.

##### **Group IT Steering Committee**

The Group IT Steering Committee promotes IT governance throughout the group and is the highest authority responsible for this aspect of Sappi's business, apart from the board. The committee has a charter approved by the Audit Committee and the board. An IT governance framework has been developed and IT feedback reports are



presented to the Audit Committee and the board. Sappi IT has implemented a standardised approach to IT risk management through a group wide risk framework supported by the use of risk management software.

#### **6.1.5 Financial Statements**

The directors are responsible for overseeing the preparation and final approval of the Group Annual Financial Statements, in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

The group's results are reviewed prior to submission to the board, as follows:

- All quarterly results – by the Disclosure Committee and Audit Committee, and
- Interim and final results – by external audit as well.

#### **6.1.6 Sappi's internal controls and combined assurance framework**

Risks facing the group are identified, evaluated and managed by implementing risk mitigations, such as insurance, strategic actions or specific internal controls. Sappi maintains a robust framework of risks and controls which assists in the application of the King IV guidelines, including controls addressing our material matters and the main drivers of Sappi. The framework comprises both financial and non-financial controls, which relate to achieving our strategy, within our risk appetite and tolerance levels, across the economic, social and environmental context in which the organisation operates as well as each of the six capitals set out in the IIRC's model.

More information on these capitals in the context of Sappi's sustainable business model can be found on pages 2 to 5 of the group annual integrated report as at Programme Date.

The group's internal controls and systems are designed in accordance with the COSO control framework, to provide reasonable assurance as to the integrity and reliability of the annual financial statements, the Annual Integrated Report and operational management information used for decision making, that assets are adequately safeguarded against material loss and that transactions are properly authorised and recorded. Internal controls also provide assurance that the group's resources are utilised efficiently and that the activities of the group comply with applicable laws and regulations.

Sappi operates a combined assurance framework, which aims to optimise the assurance coverage obtained from management, internal assurance providers and external assurance providers, on the risk areas affecting the group.

Feedback as to the effectiveness of internal controls is obtained from various assurance providers in a coordinated manner which avoids duplication of effort. Combined assurance helps to identify gaps or improvement areas in the internal control framework.

The assurance obtained informs executive management and the Audit Committee about the effectiveness of the group's internal controls in respect of significant risks. The Audit Committee, which is responsible for the oversight of risk management and combined assurance at Sappi, considers the risks and the assurance provided through the combined assurance framework and periodically provides direction as to the type, nature, extent and approach of the assurance required. The Audit Committee advises the board on the state of risks and controls, as well as assurance, in Sappi's operating environment. This information is used as the basis for the board's review, sign-off and reporting to stakeholders, via the Annual Integrated Report and Group Annual Financial Statements, on risk management and the effectiveness of internal controls and assurance within Sappi.

As part of combined assurance in respect of internal controls, Sappi has obtained assurance on the data in the Annual Integrated Report from the following sources:

- Financial data is independently audited by KPMG Inc.
- Limited reviews of sustainability information have been undertaken by central technical management and internal audit
- Specific Planet (environment) related processes are subject to review by third

- parties during the year
- A preliminary sustainability external readiness review was undertaken by KPMG Inc in 2017 with a focus on Scope 1 and 2 emissions information as well as safety information, and
- No other external assurance was obtained on the consolidated sustainability indicators reported, although certain local data is subject to external audits.

For more information on Sappi's internal controls and combined assurance framework refer to page 67 of the group annual integrated report at [www.sappi.com](http://www.sappi.com).

#### **6.1.7 Internal audit**

The group has an effective risk-based Internal Audit Department which is suitably resourced. It has a specific charter from the Audit Committee and independently appraises the adequacy and effectiveness of the group's governance, risk management, systems, internal controls and accounting records. Internal audit coordinates combined assurance and reports the findings to local and divisional management, the external auditors as well as to the Audit Committee.

The Head of Internal Audit reports to the Audit Committee, meets with board members, has direct access to executive management and is invited to attend certain management meetings.

During 2017, apart from the ongoing focus on financial controls, internal audit undertook reviews of non-financial risk areas and provided advisory services for a number of regional and global harmonisation projects such as requisition to pay and sales order to cash as well as shared service centre processes.

Internal audit maintains an internal quality assurance programme. An external quality assurance review is undertaken periodically. In 2015, an external validation was conducted by the Institute of Internal Auditors (IIA). A Generally Conforms rating was received, which is the highest of the three levels of conformance to the IIA's standards.

For more information on internal audit at Sappi refer to page 68 of the group annual integrated report at [www.sappi.com](http://www.sappi.com).

#### **6.1.8 Board assessment of the company's risk management, compliance function and effectiveness of internal controls and combined assurance**

The board is responsible for the group's systems of internal financial and operational control. As part of an ongoing comprehensive evaluation process, control self-assessments, independent reviews by internal audit, external audit and other assurance providers, were undertaken across the group to test the effectiveness of various elements of the group's financial, disclosure and other internal controls as well as procedures and systems. Identified areas of improvement are being addressed to strengthen the group's controls further. The board has assessed the combined assurance provided in 2017. The results of the reviews did not indicate any material breakdown in the functioning of these controls, procedures and systems during the year. The internal controls in place, including the financial controls and financial control environment, are considered to be effective and provide a sound basis for the preparation of the Group Annual Financial Statements, Annual Integrated Report and other reports used internally for management decision making.

#### **6.1.9 Group Company Secretary**

The Group Company Secretary does not fulfil executive management functions outside of the duties of Group Company Secretary and is not a director. During the year, the board has assessed the independence, competence, qualifications and experience of the Group Company Secretary and has concluded that she is sufficiently independent (i.e. maintained an arm's length relationship with the executive team, the board and individual directors), qualified, competent and experienced to hold this position. The Group Company Secretary is responsible for the duties set out in section 88 of the Companies Act 71 of 2008 (as amended) of South Africa. Specific responsibilities include providing guidance to directors on discharging their duties in the best interests of the group, informing directors of new laws affecting the group, as well as arranging

for the induction of new directors.

#### **6.1.10 Code of Ethics**

Sappi requires its directors and employees to act with integrity, to be courageous, to make smart decisions and to execute with speed, in all transactions and in their dealings with all business partners and stakeholders. These values underpin the group's Code of Ethics, and commit the group and its employees to sound business practices and compliance with applicable legislation. Actions are taken against employees who do not abide by the spirit and provisions of our code. Online Code of Ethics and anti-bribery and corruption training was provided to employees across the group in 2017. The SETS Committee provides oversight for social, ethics, transformation and sustainability matters throughout the group. Refer to [www.sappi.com](http://www.sappi.com) for the Code of Ethics.

#### **6.1.11 Legal compliance programme**

A legal compliance programme designed to increase awareness of, and enhance compliance with, applicable legislation is in place. The group compliance officer reports twice per annum to the group Audit Committee. The resourcing of the compliance function was boosted by the appointment of a compliance manager in 2016. Sappi is in the process of enhancing the legal compliance programme by the acquisition and implementation of suitable compliance software and an additional external legal compliance update service. In addition, online training has been provided to employees across the group on relevant core legal compliance topics.

#### **6.1.12 Conflict of interests**

The group has a policy that obliges all employees to disclose any interest in contracts or business dealings with Sappi to assess any possible conflict of interest. The policy also dictates that directors and senior officers of the group must disclose any interest in contracts as well as other appointments to assess any conflict of interest that may affect their fiduciary duties. During the year under review, apart from those disclosed in the financial statements, none of the directors had a significant interest in any material contract or arrangement entered into by the company or its subsidiaries.

#### **6.1.13 Insider trading**

The company has a code of conduct for dealing in company securities and follows the JSE Limited Listings Requirements in this regard. For further information refer to [www.sappi.com](http://www.sappi.com).

#### **6.1.14 Reporting on compliance and ethics concerns**

Sappi employees and stakeholders can report any potential illegal or non-compliant behaviour they observe directly to (senior) management, internal audit or legal counsel, or alternatively, report anonymously, via telephone or an online form. Whistle-blower 'hotlines' have been implemented in all the regions in which the group operates. The hotline service, operated by independent service providers, enables all stakeholders to anonymously report environmental, safety, ethics, accounting, auditing, control issues or other concerns. Retaliation against whistle-blowers is not tolerated. The follow up on all reported matters is coordinated either by legal counsel or internal audit and reported to the Audit Committee. The majority of calls and ethics reports received related to the Southern African region. Please refer to the whistle-blower hotline and ethics report graphs for information on the number of hotline calls per 1,000 employees, the categories of hotline calls and ethics reports, and the outcome of the investigations. The hotline report rates, categories of reports and outcomes of cases broadly align with international whistle-blower benchmark data.

#### **6.1.15 Stakeholder communication**

The board is responsible for presenting a balanced and understandable assessment of the group's position in reporting to stakeholders. The group's reporting addresses material matters of significant interest and is based on principles of openness and substance over form. Various policies have been developed to guide engagement with Sappi's stakeholders such as the Group Stakeholder Engagement Policy and Group

Corporate Social Responsibility Policy. Sappi has a policy addressing Alternate Dispute Resolution (ADR) and relevant ADR clauses are generally included in contracts with customers and suppliers. There have been no requests for information for the period under review in terms of the Promotion of Access to Information Act (South African legislation).

For more information on our key relationships at Sappi refer to pages 32 to 43 of the group annual integrated report at [www.sappi.com](http://www.sappi.com).

#### 6.1.16 King IV principles

##### General Comments

Sappi is committed to high standards of corporate governance which form the foundation for the long-term sustainability of our company and creation of value for our stakeholders. Good governance at Sappi contributes to living our values through enhanced accountability, a transparent and ethical culture, strong risk management, a focus on performance, legitimacy and effective control of the business.

Sappi endorses the governance outcomes of ethical culture, good performance, effective control and legitimacy, promoted by the King IV Report on Corporate Governance for South Africa (released November 2016).

The purpose of this register is to provide an overview of Sappi's application of the principles contained in King IV. The register should be read in conjunction with the Sappi Annual Integrated Report at [www.sappi.com](http://www.sappi.com).

Below is the King IV application register for Sappi, including Sappi Southern Africa:

<b>Leadership</b>	
<p><i>Principle 1</i></p> <p>The governing body should lead ethically and effectively.</p>	<p>The directors hold one another accountable for decision making based on integrity, competence, responsibility, fairness and transparency through their commitment to lead Sappi. The Chairman oversees this process on an ongoing basis.</p>
<b>Organisational ethics</b>	
<p><i>Principle 2</i></p> <p>The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.</p>	<p>The board sets the example and tone for an ethical culture in Sappi based on our core values of doing business with integrity and courage; making smart decisions, which we execute with speed. The board is assisted with ongoing oversight of ethics management through SETS and the Audit Committee.</p> <p>Sappi's ethics values and norms are clearly articulated in the Code of Ethics and supporting policies. There are processes in place to ensure that employees, business associates, contractors and suppliers are familiar with Sappi's ethics norms as set out in the Codes of Ethics. These include:</p> <ul style="list-style-type: none"> <li>• Reference to the Code of Ethics in employment and supply contracts</li> <li>• Publication of the Code of Ethics online on external (<a href="https://www.sappi.com/sappi-code-of-ethics">https://www.sappi.com/sappi-code-of-ethics</a>) and internal website, and</li> <li>• Ongoing training and induction of employees.</li> </ul> <p>Other arrangements to manage ethics include:</p> <ul style="list-style-type: none"> <li>• Annual fraud and ethics and fraud risk assessments (with due consideration for stakeholders)</li> <li>• Safe reporting (hotline) mechanisms are in place, and</li> </ul>

	<ul style="list-style-type: none"> <li>• Periodic employee control environment surveys</li> </ul>
<b>Responsible corporate citizenship</b>	
<p><i>Principle 3</i></p> <p>The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen.</p>	<p>The board, assisted by the SETS Committee, provides strategic direction for Sappi to be a responsible corporate citizen and to respond appropriately to the economic, social and environmental outcomes of its activities. Sappi is committed to the United Nations Global Compact. Our key corporate citizenship considerations include:</p> <ul style="list-style-type: none"> <li>• Protecting people and the environment underpins our approach to sustainability. Sappi places the highest priority on the health and safety of our workforce and on the protection of the environment, and</li> <li>• Human rights: Sappi is committed to the principles of the United Nations Global Compact, the Universal Declaration of Human Rights, and the International Labour Organisation.</li> </ul> <p>The board reviews annually the corporate responsibility strategy, priorities and action plans of the company.</p>
<b>Strategy and performance</b>	
<p><i>Principle 4</i></p> <p>The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.</p>	<p>Sappi's strategic direction, mission and vision together with our value statement are described in our Annual Integrated Report. The report deals with key opportunities and risks in our markets as well as our performance against financial and non-financial objectives, along with our priorities and expectations for the year ahead.</p> <p>Sappi's approach to sustainable development – Prosperity, People and Planet is aligned with the IIRC's six capitals model. Currently, natural capital, financial capital and human capital are the most important in our drive to position Sappi as a profitable and cash-generative, diversified wood fibre group</p>
<b>Reporting</b>	
<p><i>Principle 5</i></p> <p>The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance, and its short, medium and long-term prospects.</p>	<p>The Audit Committee is responsible for the integrity and transparency of reporting and oversees the issue of the annual financial statements and integrated reports. The Annual Integrated Report aims to present material information in an integrated manner and provide users with holistic, clear, and concise information about Sappi's performance, measured against its objectives and Sappi's short-, medium- and long-term prospects</p>
<b>Primary role of the board</b>	
<p><i>Principle 6</i></p> <p>The governing body should serve as the focal point and custodian of corporate governance in the organisation.</p>	<p>The board is the focal point and custodian of corporate governance. The board's role and responsibilities and the way it executes its duties and decision making are set out in the board charter and the terms of reference and work plans of its various committees.</p>
<b>Composition of the board</b>	
<p><i>Principle 7</i></p>	<p>The Nomination and Governance Committee,</p>

<p>The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.</p>	<p>considers, on an annual basis, the board and committee compositions in terms of balance of skills, experience, diversity, independence and knowledge. The board is satisfied that there is a balance of skills, experience, diversity, independence and knowledge needed to discharge its role and responsibilities.</p> <p>The King IV requirements for director independence, board composition, chair and lead independent director, induction and training, managing conflicts and nomination and appointment are met.</p> <p>Refer to Corporate governance section on page 64 of the group annual integrated report at <a href="http://www.sappi.com">www.sappi.com</a>. for further information about board members.</p>
<p><b>Committees of the board</b></p>	
<p><i>Principle 8</i></p> <p>The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with balance of power and the effective discharge of its duties</p>	<p>The board may delegate to individual members, groups of members, standing or ad hoc committees. The standing committees of the board comprise the Audit Committee, the Nomination and Governance Committee, the Human Resources and Compensation Committee, and the Social, Ethics, Transformation and Sustainability Committee.</p> <p>The composition of the board and its committees are in line with King IV. There is a clear balance of power to ensure that no individual has undue decision making powers. Each committee has formal terms of reference, approved by the board, recording the responsibilities delegated to it. Each committee has sufficient capability and capacity to function effectively.</p> <p>Refer to our Annual Integrated Report on <a href="http://www.sappi.com/reports">www.sappi.com/reports</a> for information on the members of each committee and attendance and to our website for the terms of reference for each committee of the board.</p>
<p><b>Board performance evaluation</b></p>	
<p><i>Principle 9</i></p> <p>The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness.</p>	<p>The Nomination and Governance Committee evaluates the performance of the board and the board committees annually. The performance of individual directors is normally evaluated prior to reappointment. The Chairman's performance is evaluated by the board annually under the leadership of the lead independent director.</p>
<p><b>Appointment and delegation to management</b></p>	
<p><i>Principle 10</i></p> <p>The governing body should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities.</p>	<p>The board is satisfied that key functions are appropriately resourced and that the board's delegation to management contributes to an effective arrangement by which authority and responsibilities are exercised.</p> <p>The board charter provides direction on the powers reserved for the board: matters that have specifically been reserved for board decision making or consent and the approval authority of board committees in</p>

	<p>respect of the company and its subsidiaries are contained in the limits of authority document adopted by the board.</p> <p>The CEO is appointed by and reports to the board and is responsible for leading the implementation of strategy and policy. The King IV requirements for the CEO in terms of appointment, roles and responsibilities, succession planning, and performance evaluation are complied with.</p> <p>Sappi has a Company Secretary with the necessary experience, expertise and qualifications, as well as at the appropriate level of seniority to discharge the role effectively. The King IV recommendations for Company Secretary in respect of appointment, reporting lines, independence, duties and performance evaluation are met.</p>
<b>Risk governance</b>	
<p><i>Principle 11</i></p> <p>The governing body should govern risk in a way that supports the organisation in setting and achieving strategic objectives.</p>	<p>The Audit Committee assists the board with the governance of risk.</p> <p>For more detail on Sappi's risks and the management thereof, refer to the Risk management section on pages 90 to 93 of the group annual integrated report at <a href="http://www.sappi.com">www.sappi.com</a>.</p>
<b>Technology and information governance</b>	
<p><i>Principle 12</i></p> <p>The governing body should govern technology and information in a way that supports the organisation in setting and achieving strategic objectives.</p>	<p>Sappi's 2020Vision (and associated strategy, performance, and sustainability) is highly dependent on technology and information.</p> <p>The board is accountable for the governance of technology and information management. Management committees have been established to assist the CEO and board by implementing policy on technology and information management:</p> <ul style="list-style-type: none"> <li>• Group Technical Committees focus on global technical alignment, performance and efficiency measurement as well as new product development, and</li> <li>• Group IT Steering Committee promotes IT governance throughout the group. Sappi has adopted Control Objectives for Information and Related Technologies (COBIT) – the global good practice framework for IT management and IT governance.</li> </ul>
<b>Compliance Governance</b>	
<p><i>Principle 13</i></p> <p>The governing body should govern compliance with applicable laws, and adopted non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen.</p>	<p>Sappi's commitment to act as a responsible corporate citizen includes compliance with all laws and regulations in the countries and jurisdictions where Sappi operates.</p> <p>A group legal compliance programme is in place to mitigate the risk of non-compliance with the laws and also to ensure appropriate responses to changes and developments in the regulatory environment.</p> <p>Significant legal and regulatory matters and compliance risks are reported to the Audit Committee.</p> <p>During 2017, there were no material penalties, sanctions or fines for contraventions of, or non-compliance with, statutory and regulatory obligations</p>

<b>Remuneration Governance</b>	
<p><i>Principle 14</i></p> <p>The governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short-, medium- and long-term.</p>	<p>The Human Resources and Compensation Committee ensures that directors, executives and employees are remunerated fairly and responsibly so as to promote the delivery of strategic objectives and the creation of value in a sustainable manner.</p> <p>Refer to the Remuneration Report on pages 16 to 88 of the group annual integrated report at <a href="http://www.sappi.com">www.sappi.com</a> for further information.</p>
<b>Assurance</b>	
<p><i>Principle 15</i></p> <p>The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision making and of the organisation's external reports.</p>	<p>The Audit Committee is responsible for oversight of assurance on the effectiveness of governance, risk management and control at Sappi. Sappi operates a combined assurance framework, which aims to optimise the assurance coverage obtained from management, internal and external assurance providers, on the risk areas affecting the group.</p> <p>Refer to the Corporate governance section on pages 64 to 75 of the group annual integrated report at <a href="http://www.sappi.com">www.sappi.com</a> for more information on Sappi's combined assurance framework including external audit, internal audit, and the provision of assurance over external reports.</p>
<b>Stakeholders</b>	
<p><i>Principle 16</i></p> <p>In the execution of its governance role and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time.</p>	<p>The board has adopted a stakeholder-inclusive approach and the One Sappi strategy is built on collaborating and partnering with stakeholders. Sappi strives to understand, be responsive to, and balance stakeholder legitimate and reasonable needs, interests and expectations. Key stakeholders have been identified.</p> <p>A Group Stakeholder Engagement Policy has been established. Information on how we have approached our stakeholder relations can be found in Our key relationships section on pages 32 to 43 of the group annual integrated report at <a href="http://www.sappi.com">www.sappi.com</a>.</p>
<b>Responsibilities of institutional investors</b>	
<p><i>Principle 17</i></p> <p>The governing body of an institutional investor organisation should ensure that responsible investment is practised by the organisation to promote good governance and the creation of value by the companies in which it invests.</p>	<p>Not applicable – Sappi is not an institutional investor</p>

## 6.2 Regulatory Framework

The Sappi Group has implemented a legal compliance program designed to increase awareness of, and enhance compliance with, applicable legislation across the Group. A Group compliance officer has been appointed who reports semi-annually to the Group Audit Committee. The key regulatory frameworks within which Sappi Southern



Africa operates and/or is required to comply are noted below:

### **Environmental**

- In South Africa our operations are regulated by various environmental laws, regulations as well as norms and standards. The primary statutes affecting our operations are:
- The National Water Act recognises that water is a scarce resource. The Act ensures allocation is first for human consumption and then to agriculture, industry and forestry. It affects both the group's manufacturing and forestry operations. Abstraction of water, discharge of effluent and the growing and management of forests are all regulated through a general authorisation and/or licensing system in terms of this Act.
- The National Environmental Management Act establishes the procedures and institutions to facilitate and promote cooperative government and inter-governmental relations with regard to the environment, as well as establishes the procedures and institutions to facilitate and promote public participation in environmental governance. It provides for the issuance of environmental authorisations and imposes a duty of care regarding environmental harm.
- The National Environmental Management: Air Quality Act imposed more stringent compliance limits on the South African operations in 2020. The potential impact of these stricter standards as per the Air Quality Act are being evaluated and quantified.
- The National Environmental Management: Waste Act regulates the use, re-use, recycling and disposal of waste and regulates waste management by way of a licensing system, with the storage of waste being regulated by Norms and Standards.

### **Government is developing a broad Climate Change mitigation system which includes:**

- The assessment of mitigation potential.
- Setting carbon budgets for companies.
- Pollution prevention plans for companies with carbon budgets and annual greenhouse gas reporting.
- Implementation of carbon tax.

Sappi Southern Africa's proposed carbon budget has been accepted by government and voluntary reporting commenced in 2017. The implementation date of the carbon tax legislation is still uncertain. Work is progressing well in terms of developing a carbon intensity factor for members of our industry representative, the Paper Manufacturers Association of South Africa (PAMSA) and more critically, the recognition of carbon sequestration as part of the carbon tax calculation methodology.

### **Safety**

The forestry, timber and pulp and paper industries involve inherently hazardous activities including, among other things, the operation of heavy machinery and chainsaws. All countries, in which we have significant manufacturing operations, including South Africa, the United States and European countries, regulate health and safety in the workplace. We actively seek to comply with the safety legislation in the countries where we operate and endeavor to go beyond this minimum requirement to ensure the safety and health of our employees.

Through global safety improvement initiatives we continually strive to achieve a no-harm environment. This involves implementing behaviour-based safety programs throughout our group and focusing on those activities which have in the past resulted in injuries or fatalities.

In South Africa, we must comply with a number of laws regulating workers' compensation for injuries and health and safety within the workplace, the most important of which is the Occupational Health and Safety Act (No. 85 of 1993), the Compensation for Occupational Injuries and Diseases Act (Act 130 of 1993) and

related regulations. The COID Act regulates insurance for employees against injuries and diseases contracted in the workplace. During any project involving construction, such as Project Eagle at Ngodwana and the Saiccor wood yard upgrade we are also required to comply with the “Construction Regulations”. Our South African businesses are audited every two years to evaluate compliance with this legislation. All Pulp and Paper mills, as well as Sappi Forests Plantations, are OHSAS 18001:2007, FSC and ISO 14001:2004 certified for health and safety management systems and environmental management systems, respectively. We have also achieved ISO 50001 accreditation during 2017 for Energy Management.

### 6.3 People

In our Southern African operations 48% of employees are represented by four trade unions. We have a Joint-Recognition Agreement with the three fully recognised trade unions. Our wage negotiations with recognised trade unions take place at the Wood and Paper Bargaining Council. Sappi Southern Africa is represented in the Pulp and Paper Industry Chamber as well as in the Sawmilling Industry Chamber in South Africa. Our agreements are generally annual in both Chambers. In the Forestry Sector, wage increases are implemented in accordance with the Ministerial Sectorial determination under the auspices of the Basic Conditions of Employment Act. Most of the union members in this region are blue collar workers and artisans. The 2018 wage negotiations were successfully concluded in August 2018 without any disruption to production due to industrial actions. The wage settlements were 7% in respect of the Sawmilling Chamber and 7.75% in the Pulp and Paper Chamber, respectively.

The objective of the Sappi HIV/AIDS programme is to measure, monitor and manage the disease in order to mitigate the risks posed to employees, the organisation and the communities in which we operate. The programme included prevalence studies to gauge infection levels, voluntary testing programmes that encouraged workers to establish their zero-status, the provision of medical care as well as a major focus on peer educator programmes aimed at education and awareness.

Sappi Southern Africa has now reached a position where more than 72% of our Southern African employees check their HIV status every year. Regular HIV counselling and testing (HCT) ensures that we achieve early diagnosis of HIV infection to ensure timely access to care.

Following the first anonymous voluntary prevalence tests in 2003, a fifth comprehensive voluntary study was conducted during 2015 in all of our Southern African operations. Based on a participation rate of greater than 80%, at the locations tested, we estimate that the overall infection rate in our Southern African operations has stabilised at approximately 15.3%, which compares favourably with the national average (19.2%). In response to these surveillance results, renewed focus has been placed on the HIV/AIDS management programme so as to further contribute to the effective containment of the pandemic. We estimate that approximately 76% of our employees that are HIV/AIDS positive, participate in our HIV/ AIDS managed care programs. Furthermore, the impact of HIV/AIDS on a company is generally reflected in the mortality rate of its employees. Sappi Southern Africa's mortality rate has more than halved from a high level of 1.12% in 2005 to a rate of 0.49% in fiscal 2017.

Sappi Southern Africa is a responsible and designated employer in terms of the Employment Equity Act 55 of 1998. To this extend, the Company has developed and submitted to the Department of Labour, its Employment Equity Plan 2020 and on an annual basis, a progress report is submitted in order not to only ensure compliance with the Act, but promote diversity and inclusion as well as to provide career devolvment and employment opportunities for employees and other stakeholders within the Company. The approved transformation strategy is proving very successful and is focused mainly on increasing black representation in the middle to senior management occupational category and levels, increasing female representation in the same levels indicated above, as well as a structured succession plan to 2020 and beyond. In addition, Sappi Southern Africa is currently a level 3 contributor in terms of the Broad Based Black Economic Empowerment Act (B-BBEE). All governance structures in terms of the transformation strategy are in place and fully operational,

these include the National Employment Equity and Skills Development Committee and Business Units local committees as well as the Regional Sustainability Council.

The Skills Development Act (No. 97 of 1998), Skills Development Levies Act (No. 9 of 1999) and the National Qualifications Framework Act (67 of 2008) were promulgated to address skills shortages. This continues to be cited as a major obstacle to economic growth, social development and sustainable employment growth in South Africa. We continue to support skills development in the country, through our skills development and community centres in the Mpumalanga and KwaZulu-Natal provinces, among many other initiatives. On an annual basis, 1% of total payroll, specified in accordance with the Skills Development Levies Act, is paid to the Fibre Processing and Manufacturing Sectorial Education Authority (FPM SETA). The percentage of this skills levy is claimable as a discretionary grant, based on the company's implementation of the learning and development programmes.

A priority and focus of Sappi Southern Africa is to improve the business competitiveness and profitability. We identified certain improvement plans including restructuring the business through managing and better aligning overheads to our business strategy. Such restructuring initiatives, forced retrenchments are minimised, if not completely avoided. In the last two years, restructuring has taken place both at our Regional head office and Saiccor Mill, no forced retrenchments have been reported in both instances.

#### **6.4 Broad Based Black Economic Empowerment**

The government and organized business have taken a number of steps in recent years to increase the participation of Black people in the South African economy. To this end, the Employment Equity Act (No. 55 of 1998), the Skills Development Act (No. 97 of 1998) and the Preferential Procurement Policy Framework Act (No. 5 of 2000) were promulgated. The Broad-Based Black Economic Empowerment Act (No. 46 of 2013) ("B-BBEE") has formalised the country's approach to distributing skills, employment and wealth more equitably between races and genders. B-BBEE focuses on increasing equity ownership, management and control of businesses by Black people, and improving Black representation in all levels of employment. It also promotes the development of skills in the country, the nurturing of Black entrepreneurship through preferential procurement and enterprise and supplier development, and the uplifting of communities through social investment.

The Old Forest Sector Charter was published in the Government Gazette in June 2009 as the "Forest Sector Code". This Charter applied to all enterprises involved with commercial forestry and the first level processing of wood products. Our South African businesses were signatories to this charter via their membership of both Forestry South Africa ("FSA") and the Paper Making Association of South Africa (PAMSA). This charter set the objectives and principles for B-BBEE, and included the scorecard and targets to be applied within the industry, as well as certain undertakings by the government and the private sector (or South African forestry companies) to assist the forestry industry to achieve its B-BBEE targets. With effect from calendar 2010, our South African businesses were evaluated against the Old Forest Sector's B-BBEE scorecard.

In June 2010, Sappi completed a B-BBEE transaction whereby ordinary and "A" ordinary shares equivalent to 4.5% of Sappi Limited were issued to its strategic empowerment partners, and to various trusts for the benefit of its black managers, its employees and communities in the geographic areas where Sappi's South African businesses had operations. The value of the B-BBEE transaction in 2010 (approximately ZAR814 million, US\$115 million) corresponded to an effective 30% interest in Sappi Southern Africa, which met the requirements of Forest Sector Charter and B-BBEE legislation in general.

Empowerdex is our verification agent and has been since 2006. Sappi has over the years improved its Contributor Level status from a Level 8 to a Level 3 (Refer Table 1).

Table 1: Historical B-BBEE ratings of Sappi Southern Africa Limited

Certificate issued	Certificate valid till	Ownership	Management	Employment equity	Skills development	Preferential procurement	Enterprise development	Socio-economic development	Total score	Level
2006	January 2007									8
January 2007	January 2008	-	2.82	1.91	5.48	7.44	15.00	4.67	37.32	8
February 2008	February 2009	-	2.82	1.91	6.83	7.56	15.00	4.67	38.79	8
April 2008	April 2009									7
August 2009	August 2010	-	4.15	2.58	10.31	17.22	15.00	4.71	53.97	6
October 2010	October 2011	15.74	4.49	3.69	9.55	18.76	14.96	8.00	75.19	3
November 2011	November 2012	15.30	6.21	2.40	9.15	18.47	15.00	8.00	74.53	4
December 2012	December 2013	15.10	5.25	2.49	8.10	19.26	15.00	8.00	73.20	4
November 2013	November 2014	15.28	5.13	2.54	9.55	17.29	15.00	8.00	72.79	4
November 2014	November 2015	24.50	4.94	2.63	9.00	19.54	15.00	8.00	83.61	3
November 2015	November 2016	24.33	2.29	2.25	9.43	18.94	15.00	8.00	80.24	3
November 2016	November 2017	24.34	2.08	1.99	10.18	19.06	15.00	8.00	80.65	3

BBBEE certificates - validity and scores

\* In 2015 and 2016 the BBBEE targets were increased

In April 2017 the Government gazetted the New Forestry Sector Codes where targets and measurements were changed and in general made it more difficult for companies to comply. In November 2017 we were audited by Empowerdex and achieved a “level three contributor” with a preferential procurement recognition level of 110% for 2018 (Refer Table 2).

Table 2: B-BBEE rating for Sappi Southern Africa Limited as at the Programme Date:

Certificate issued	Certificate valid till	Ownership	Management control	Skills development	Enterprise and supplier development	Socio-economic development	Total score	Level
November 2017	November 2018	26.18	10.56	12.51	34.79	7.63	91.67	3

The representation of Black people, particularly Black women, in management and all levels of employment within the company is a focus within the organisation, driven by employment equity targets set in each occupational category. Skills development initiatives, particularly programs aimed at improving management and leadership skills, are geared to meet these targets. Where practical, we purchase goods and services from Black-owned businesses and seek opportunities to develop future Black vendors. We are committed to the support of our Project Khulisa, which is an initiative with local communities using their land for plantations while training them in the core principles of forestry management. This is achieved through financial and technical input, as well as by providing a secure market during the start-up phase of these small tree farming enterprises. This initiative has been extended to encourage aspirant tree farmers who wish to undertake forestry activities on a larger scale consistent with the government's strategy of promoting forestry as a means of sustainable livelihood in rural areas. We have a number of enterprise development initiatives and have established programs to train new entrepreneurs. These initiatives involve the transfer of business skills, technical assistance, financial support and preferential payment terms to assist new enterprises to enter the market. We have a history of investment in the communities in which we operate. Initiatives to promote education, health and welfare, arts and culture, and rural and community development, amongst others, are regularly undertaken.

The South African constitution guarantees ownership rights of assets, and it is the stated intent of the constitution that transfer of ownership will occur at market prices. It should be noted that B-BBEE equity participation need not necessarily occur at the corporate level, and can be effected at divisional, business unit or lower levels. Because the B-BBEE Act sets forth a framework for plans rather than specific requirements or goals, it is not possible to predict whether or how our business or assets may be impacted.

## 7. GENERAL DEFINITIONS APPLICABLE TO THIS SECTION

Please refer to the financial statements as published on our website at [www.sappi.com](http://www.sappi.com) for a list of general definitions and terms.

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## SETTLEMENT, CLEARING AND TRANSFER OF NOTES

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*Capitalised terms used in this section headed "Settlement, Clearing and Transfer of Notes" shall bear the same meanings as those used in the Terms and Conditions, except to the extent that they are separately defined in this section or are clearly inappropriate from the context.*

### **Notes listed on the Interest Rate Market of the JSE and/or held in the CSD**

Each Tranche of Notes which is listed on the Interest Rate Market of the JSE in uncertificated form will be held in the CSD. A Tranche of unlisted Notes may also be held in the CSD.

### **Clearing systems**

Each Tranche of Notes listed on the Interest Rate Market of the JSE will be issued, cleared and settled in accordance with the Applicable Procedures for the time being of the JSE and the CSD through the electronic settlement system of the CSD. Such Notes will be cleared by Participants who will follow the electronic settlement procedures prescribed by the JSE and the CSD.

The CSD has, as the operator of an electronic clearing system, been appointed by the JSE to match, clear and facilitate the settlement of transactions concluded on the JSE. Subject as aforesaid each Tranche of Notes which is listed on the Interest Rate Market of the JSE will be issued, cleared and transferred in accordance with the Applicable Procedures and the Terms and Conditions, and will be settled through Participants who will comply with the electronic settlement procedures prescribed by the JSE and the CSD. The Notes may be accepted for clearance through any additional clearing system as may be agreed between the JSE, the Issuer and the Dealers.

### **Participants**

The CSD maintains accounts for Participants. As at the Programme Date, the Participants which are approved by the CSD, in terms of the Applicable Procedures, as Settlement Agents to perform electronic settlement of funds and scrip are Citibank N.A. South Africa Branch, FirstRand Bank Limited, Nedbank Limited, The Standard Bank of South Africa Limited, Standard Chartered Bank, Johannesburg Branch, Société Générale, Johannesburg Branch and the South African Reserve Bank. Euroclear, as operator of the Euroclear System, and Clearstream will settle off-shore transfers in the Notes through their Participants.

### **Settlement and clearing**

Participants will be responsible for the settlement of scrip and payment transfers through the CSD, the JSE and the South African Reserve Bank.

While a Tranche of Notes is held in the CSD, the Noteholder, will be named in the Register as the holder of the Notes in that Tranche in accordance with the Applicable Procedures. All amounts to be paid in respect of Notes held in the CSD will be paid to the relevant Participants on behalf of the relevant Noteholder pursuant to the Applicable Procedures. All rights to be exercised in respect of Notes held in the CSD will be exercised by the relevant Noteholder.

In relation to each Person shown in the records of the CSD or the relevant Participant, as the case may be, as the holder of a Beneficial Interest in a particular Nominal Amount of Notes, a certificate or other document issued by the CSD or the relevant Participant, as the case may be, as to the Nominal Amount of such Notes standing to the account of such Person shall be *prima facie* proof of such Beneficial Interest. However, the Noteholder, as the registered holder of such Notes named in the Register, will be treated by the Issuer, the Paying Agent, the Transfer Agent and the CSD as the holder of that aggregate Nominal Amount of such Notes for all purposes.

Payments of all amounts in respect of a Tranche of Notes which is listed on the Interest Rate Market of the JSE and/or held in uncertificated form will be made to the CSD, which in turn will transfer such funds, via the Participants, to the holders of Beneficial Interests. Each of the Persons reflected in the records of the CSD as the holders of Beneficial Interests in Notes shall look solely to the CSD or the relevant Participant, as the case may be, for such Person's share of each payment so made by (or on behalf of) the Issuer to, or for the order of, the CSD.

Payments of all amounts in respect of a Tranche of Notes which is listed on the Interest Rate Market of the JSE and/or held in uncertificated form will be recorded by the CSD, distinguishing between interest and principal, and such record of payments by the CSD, shall be *prima facie* proof of such payments.

***Transfers and exchanges***

Subject to the Applicable Laws and the Applicable Procedures, title to Beneficial Interest held by Noteholders through the CSD will be freely transferable and will pass on transfer thereof by electronic book entry in the securities accounts maintained by the CSD or relevant Participants for such Noteholders.

Beneficial Interests may be exchanged for Notes represented by Individual Certificates in accordance with Condition 14.2 (*Transfer of Notes represented by Individual Certificates*).

***Records of payments, trust and voting***

Neither the Issuer nor the Paying Agent will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, Beneficial Interests, or for maintaining, supervising or reviewing any records relating to Beneficial Interests. Neither the Issuer nor the Paying Agent nor the Transfer Agent will be bound to record any trust in the Register or to take notice of or to accede to the execution of any trust (express, implied or constructive) to which any Note may be subject. Holders of Beneficial Interests vote in accordance with the Applicable Procedures.

***JSE Debt Guarantee Fund Trust***

The holders of Notes that are not listed on the Interest Rate Market of the JSE will have no recourse against the JSE Debt Guarantee Fund Trust. Claims against the JSE Debt Guarantee Fund Trust may only be made in respect of the trading of the Notes listed on the Interest Rate Market of the JSE and in accordance with the rules of the JSE Debt Guarantee Fund Trust.

***Notes listed on any Financial Exchange other than (or in addition to) the Interest Rate Market of the JSE***

Each Tranche of Notes which is listed on any Financial Exchange other than (or in addition to) the Interest Rate Market of the JSE will be issued, cleared and settled in accordance with the rules and settlement procedures for the time being of that Financial Exchange. The settlement and redemption procedures for a Tranche of Notes which is listed on any Financial Exchange (other than or in addition to the JSE) will be specified in the Applicable Pricing Supplement.

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## SUBSCRIPTION AND SALE

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*Capitalised terms used in this section headed "Subscription and Sale" shall bear the same meanings as those used in the Terms and Conditions, except to the extent that they are separately defined in this section or are clearly inappropriate from the context.*

The Dealer(s) have in terms of the amended and restated programme agreement dated on or about 23 November 2018, as may be amended, supplemented or restated from time to time (the **Programme Agreement**), agreed with the Issuer a basis upon which it may from time to time agree to subscribe for Notes or procure the subscription of the Notes.

### **Selling restrictions**

#### **South Africa**

Each Dealer has (or will have) represented, warranted and agreed that it (i) will not offer Notes for subscription, (ii) will not solicit any offers for subscription for or sale of the Notes, and (iii) will itself not sell or offer the Notes in South Africa in contravention of the Companies Act, Banks Act, Exchange Control Regulations and/or any other Applicable Laws and regulations of South Africa in force from time to time.

Prior to the issue of any Tranche of Notes under the Programme, each Dealer who has (or will have) agreed to place that Tranche of Notes will be required to represent and agree that it will not make an "offer to the public" (as such expression is defined in the Companies Act, and which expression includes any section of the public) of Notes (whether for subscription, purchase or sale) in South Africa. This Programme Memorandum does not, nor is it intended to, constitute a prospectus prepared and registered under the Companies Act.

#### *Offers not deemed to be offers to the public*

Offers for subscription for, or sale of, Notes are not deemed to be offers to the public if:

- (a) made only to certain investors contemplated in section 96(1)(a) of the Companies Act; or
- (b) the total contemplated acquisition cost of Notes, for any single addressee acting as principal, is equal to or greater than ZAR1,000,000, or such higher amount as may be promulgated by notice in the Government Gazette of South Africa pursuant to section 96(2)(a) of the Companies Act.

Information made available in this Programme Memorandum should not be considered as "advice" as defined in the Financial Advisory and Intermediary Services Act, 2002.

#### **United States**

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the **Securities Act**) and may not be offered or sold within the United States or to, or for the account of benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Prior to the issue of any Tranche of Notes under the Programme, each Dealer who has (or will have) agreed to place that Tranche of Notes will be required to represent and agree that:

- (a) the Notes in that Tranche have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act;
- (b) it has not offered, sold or delivered any Notes in that Tranche and will not offer, sell or deliver any Notes in that Tranche (i) as part of their distribution at any time or (ii) otherwise until 40 (forty) Days after completion of the distribution, as determined and certified by the Dealer(s) or, in the case of an issue of such Notes on a syndicated basis, the relevant Lead Manager, of all Notes of the Series of which that Tranche of Notes is a part, within the United States or to, or for the account or benefit of, U.S. persons;
- (c) it will send to each dealer to which it sells any Notes in that Tranche during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and



sales of such Notes within the United States or to, or for the account or benefit of, U.S. persons; and

- (d) it, its affiliates and any persons acting on its or any of its affiliates behalf have not engaged and will not engage in any directed selling efforts in the United States (as defined in Regulation S under the Securities Act) with respect to the Notes in that Tranche and it, its affiliates and any persons acting on its or any of its affiliates' behalf have complied and will comply with the offering restrictions requirements of Regulation S.

In addition, until 40 (forty) days after the commencement of the offering of a Series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an exemption from registration under the Securities Act.

### **European Economic Area**

Prior to the issue of any Tranche of Notes under the Programme, each Dealer who has (or will have) agreed to place that Tranche of Notes will be required to represent and agree that, in relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each a **Relevant Member State**), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the **Relevant Implementation Date**) it has not made and will not make an offer of any of such Notes to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of any of such Notes to the public in that Relevant Member State:

- (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) at any time to fewer than 100 (one hundred) or, if the relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150 (one hundred and fifty), natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (c) at any time in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

Provided that no such offer referred to in (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an “*offer of Notes to the public*” in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression “*Prospectus Directive*” means Directive 2003/71/EC (and amendments thereto including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State) and includes any relevant implementing measure in each Relevant Member State and the expression “*2010 PD Amending Directive*” means Directive 2010/73/EU.

Each Dealer has (or will have) represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that any commission, fee or non-monetary benefit received from the Issuer complies with the applicable rules set out in the Markets in Financial Instrument Directive 2014/65/EU. as may be amended or replaced from time to time (**MiFID II**).

### **United Kingdom**

Prior to the issue of any Tranche of Notes under the Programme, each Dealer who has (or will have) agreed to place that Tranche of Notes will be required to represent and agree that:

- (a) in relation to any of the Notes in that Tranche which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any of such Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent)

for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of such Notes would otherwise constitute a contravention of section 19 of the Financial Services and Markets Act, 2000 (the **FSMA**) by the Issuer;

- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any of the Notes in that Tranche under circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any of the Notes in that Tranche in, from or otherwise involving the United Kingdom.

**General**

Prior to the issue of any Tranche of Notes under the Programme, each Dealer who has (or will have) agreed to place that Tranche of Notes will be required to agree that:

- (a) it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in each jurisdiction in which it purchases, subscribes or procures the subscription for, offers or sells Notes in that Tranche or has in its possession or distributes the Programme Memorandum and will obtain any consent, approval or permission required by it for the purchase, subscription, offer or sale by it of Notes in that Tranche under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, subscription, offers or sales; and
- (b) it will comply with such other or additional restrictions as the Issuer and such Dealer agree and as are set out in the Applicable Pricing Supplement.

Neither the Issuer nor any of the Dealer(s) represent that Notes may at any time lawfully be subscribed for or sold in compliance with any applicable registration or other requirements in any jurisdiction or pursuant to any exemption available thereunder nor assumes any responsibility for facilitating such subscription or sale.

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## **SOUTH AFRICAN TAXATION**

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*Capitalised terms used in this section headed “South African Taxation” shall bear the same meanings as those used in the Terms and Conditions, except to the extent that they are separately defined in that section or are clearly inappropriate from the context.*

***The comments below are intended as a general guide to the relevant tax laws of South Africa as at the Programme Date. The contents of this section headed “South African Taxation” do not constitute tax advice and do not purport to describe all of the considerations that may be relevant to a prospective subscriber for or purchaser of any Notes. Prospective subscribers for or purchasers of any Notes should consult their professional advisers in this regard.***

### **Securities Transfer Tax**

The issue, transfer and redemption of the Notes will not attract securities transfer tax under the Securities Transfer Tax Act, 2007 (the **STT Act**) because the Notes do not constitute “securities” as defined in the STT Act. Any future transfer duties and/or taxes that may be introduced in respect of (or applicable to) the transfer of Notes will be for the account of holders of the Notes.

### **Value-Added Tax**

No value-added tax (**VAT**) is payable on the issue or transfer of the Notes. The issue, sale or transfer of the Notes constitute “financial services” as defined in section 2 of the Value-Added Tax Act, 1991 (the **VAT Act**). In terms of section 2 of the VAT Act, the issue, allotment, drawing, acceptance, endorsement or transfer of ownership of a debt security as well as the buying and selling of derivatives constitute a financial service, which is exempt from VAT in terms of section 12(a) of the VAT Act. The Notes constitute “*debt securities*” as defined in section 2(2)(iii) of the VAT Act.

However, commissions, fees or similar charges raised for the facilitation of the issue, allotment, drawing, acceptance, endorsement or transfer of ownership of Notes will be subject to VAT at the standard rate (currently 15 percent), except where the recipient is a non-resident as contemplated below.

Services (including exempt financial services) rendered to non-residents who are not in South Africa when the services are rendered, are subject to VAT at the zero rate in terms of section 11(2)(l) of the VAT Act.

### **Income Tax**

Under current South African tax laws a “*resident*” (as defined in section 1 of the Income Tax Act, 1962 (the **Income Tax Act**)) is subject to income tax on his/her worldwide income. Accordingly, all Noteholders who are “*residents*” of South Africa will generally be liable to pay income tax, subject to available deductions, allowances and exemptions, on any income (including income in the form of interest) earned in respect of the Notes. Non-residents of South Africa are subject to income tax on all income derived from a South African source (subject to domestic exemptions or relief in terms of an applicable double taxation treaty).

Interest income is derived from a South African source if that amount:

- (a) is incurred by a person that is a South African tax resident, unless the interest is attributable to a foreign permanent establishment of that resident; or
- (b) is derived from the utilisation or application in South Africa by any person of any funds or credit obtained in terms of any form of “*interest-bearing arrangement*”.

The Notes will constitute an “*interest-bearing arrangement*”. The Issuer is tax resident in South Africa as at the Programme Date. Accordingly, unless the Notes are attributable to a permanent establishment of the Issuer outside of South Africa, the interest paid to the Noteholders will be from a South African source and subject to South African income tax unless such income is exempt under section 10(1)(h) of the Income Tax Act (see below).

Under section 10(1)(h) of the Income Tax Act, any amount of interest that is received or accrued by or to a Noteholder who, or which, is not a resident of South Africa during any year of assessment is exempt from income tax, unless:

- (a) that person is a natural person who was physically present in South Africa for a period exceeding 183 days in aggregate during the twelve month period preceding the date on which the interest is received by, or accrues to, that person; or
- (b) the debt from which the interest arises is effectively connected to a permanent establishment of that person in South Africa.

If a Noteholder does not qualify for the exemption under section 10(1)(h) of the Income Tax Act, an exemption from, or reduction of any South African income tax liability may be available under an applicable double taxation treaty.

Furthermore, certain entities may be exempt from income tax. Purchasers are advised to consult their own professional advisers as to whether the interest income earned on the Notes will be exempt under section 10(1)(h) of the Income Tax Act or under an applicable double taxation treaty.

Under section 24J of the Income Tax Act, broadly speaking, any discount or premium to the principal amount of a Note is treated as part of the interest income on the Note. Interest income which accrues (or is deemed to accrue) to a Noteholder is deemed, in accordance with section 24J of the Income Tax Act, to accrue on a day-to-day basis until that Noteholder disposes of the Note or until maturity unless an election has been made by the Noteholder, which is a company, if the Noteholder is entitled under section 24J(9) of the Income Tax Act to make such election, to treat its Notes as trading stock on a mark-to-market basis. This day-to-day basis accrual is determined by calculating the yield to maturity (as defined in section 24J of the Income Tax Act) and applying this rate to the capital involved for the relevant tax period. The premium or discount is treated as interest for the purposes of the exemption under section 10(1)(h) of the Income Tax Act.

Section 24JB deals with the fair value taxation of financial instruments for certain types of taxpayers ("*covered persons*"). Noteholders should seek advice as to whether these provisions may apply to them.

The tax treatment of subordinated notes where the issuer has no obligation to make interest and/or capital payments, the proceeds of which qualify as primary share capital may differ from the section 24J treatment noted above.

To the extent the disposal of the Note gives rise to a gain or a loss, the normal principles are to be applied in determining whether such gain or loss should be subject to income tax in terms of the Income Tax Act.

### **Capital Gains Tax**

Capital gains and losses of residents of South Africa on the disposal of Notes are subject to capital gains tax unless the Notes are purchased for re-sale in the short term as part of a scheme of profit making, in which case the proceeds will be subject to income tax. Any discount or premium on acquisition which has already been treated as interest for income tax purposes under section 24J of the Income Tax Act will not be taken into account when determining any capital gain or loss. If the Notes are disposed of or redeemed prior to or on maturity, a gain or loss must be calculated. The gain or loss is deemed to have been incurred or to have accrued in the year of assessment in which the transfer or redemption occurred. The calculation of the gain or loss will take into account interest which has already accrued or been incurred during the period in which the transfer or redemption occurs. In terms of section 24J(4A) of the Income Tax Act, where an adjusted loss on transfer or redemption includes interest which has been included in the income of the holder, that amount qualifies as a deduction from the income of the holder during the year of assessment in which the transfer or redemption takes place.

Capital gains tax under the Eighth Schedule to the Income Tax Act will not be levied in relation to Notes disposed of by a Person who is not a resident of South Africa unless the Notes disposed of are attributable to a permanent establishment of that Person through which a trade is carried on in South Africa during the relevant year of assessment.

Purchasers are advised to consult their own professional advisers as to whether a disposal of Notes will result in a liability to capital gains tax.

## Withholding Tax

A final withholding tax on interest which is levied at the rate of 15% applies to interest payments made from a South African source to foreign persons (i.e. non-residents), subject to certain exemptions (see below). South Africa is also a party to double taxation treaties that may provide full or partial relief from the withholding tax on interest, provided that certain requirements are met.

The available exemptions apply in respect of the instrument giving rise to the interest, to the foreign person receiving the interest, or to the person liable for the interest (i.e. the Issuer).

Regarding the exemptions applicable in respect of the instrument, an amount of interest is exempt if it is paid to a foreign person in terms of “*listed debt*”, being debt listed on a “*recognised exchange*”, as defined in terms of paragraph 1 of the Eighth Schedule to the Income Tax Act. The Notes may be listed on a recognised exchange. Thus, to the extent that the Notes remain listed on that exchange (and to the extent that that exchange remains a recognised exchange), any interest paid to a foreign person in respect of the Notes will be exempt from the withholding tax on interest. If the Notes are not listed on a recognised exchange, then the interest paid to a foreign person will not be exempt from the withholding tax on interest unless another exemption is applicable.

Regarding the exemptions applicable in respect of the foreign person receiving the interest, an amount of interest is exempt if—

- (a) that foreign person is a natural person who was physically present in South Africa for a period exceeding 183 days in aggregate during the twelve month period preceding the date on which the interest is paid;
- (b) the debt claim in respect of which that interest is paid is effectively connected with a permanent establishment of that foreign person in South Africa, if that foreign person is registered as a taxpayer in terms of Chapter 3 of the Tax Administration Act, 2011; and
- (c) The foreign person submits a declaration confirming their exemption to the person liable for the payment of the interest before payment of the interest is made.

If a foreign person does not qualify for the above exemption, then any interest paid to that foreign person will not be exempt from the withholding tax on interest unless another exemption is applicable.

Regarding the exemptions applicable in respect of the person liable for the interest, none of these will be applicable in respect of the Issuer. Thus, if the exemptions in respect of listed debt and foreign persons above are not applicable, then any interest paid to a foreign person will not be exempt from the withholding tax.

## Definition of Interest

The references to “*interest*” above means “*interest*” as understood in South African tax law. The statements above do not take account of any different definitions of “*interest*” or “*principal*” which may prevail under any other law or which may be created by the Terms and Conditions or any related documentation.

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## **SOUTH AFRICAN EXCHANGE CONTROL**

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*Capitalised terms used in this section headed “South African Exchange Control” shall bear the same meanings as those used in the Terms and Conditions, except to the extent that they are separately defined in this section this is clearly inappropriate from the context.*

*The information below is intended as a general guide to the position under the Exchange Control Regulations as at the Programme Date. The Exchange Control Regulations are subject to change at any time without notice. The contents of this section headed “South African Exchange Control” do not constitute exchange control advice and do not purport to describe all of the considerations that may be relevant to a prospective subscriber for or purchaser of any Notes. Prospective subscribers for or purchasers of any Notes should consult their professional advisers in this regard.*

### **Non-South African resident Noteholders and emigrants from the Common Monetary Area**

Dealings in the Notes and the performance by the Issuer of its obligations under the Notes and the Terms and Conditions may be subject to the Exchange Control Regulations.

#### **Blocked Rands**

Blocked Rands may be used for the subscription for or purchase of Notes. Any amounts payable by the Issuer in respect of the Notes subscribed for or purchased with Blocked Rands may not, in terms of the Exchange Control Regulations, be remitted out of South Africa or paid into any non-South African bank account.

#### **Emigrants from the Common Monetary Area**

Any Individual Certificates issued to Noteholders who are emigrants from the Common Monetary Area will be endorsed “*non-resident*”. Such restrictively endorsed Individual Certificates shall be deposited with an authorised foreign exchange dealer controlling such emigrant’s blocked assets.

In the event that a Beneficial Interest in Notes is held by an emigrant from the Common Monetary Area through the CSD, the securities account maintained for such emigrant by the relevant Participant will be designated as an “*non-resident*” account.

Any payments of interest and/or principal due to a Noteholder who is an emigrant from the Common Monetary Area will be deposited into such emigrant Noteholder’s Blocked Rand account, as maintained by an authorised foreign exchange dealer. The amounts are not freely transferable from the Common Monetary Area and may only be dealt with in terms of the Exchange Control Regulations.

#### **Non-residents of the Common Monetary Area**

Any Individual Certificates issued to Noteholders who are not resident in the Common Monetary Area will be endorsed “*non-resident*”. In the event that a Beneficial Interest in Notes is held by a non-resident of the Common Monetary Area through the CSD, the securities account maintained for such Noteholder by the relevant Participant will be designated as a “*non-resident*” account.

It will be incumbent on any such non-resident Noteholder to instruct the non-resident’s nominated or authorised dealer in foreign exchange as to how any funds due to such non-resident in respect of Notes are to be dealt with. Such funds may, in terms of the Exchange Control Regulations, be remitted abroad only if the relevant Notes are acquired with foreign currency introduced into South Africa and provided that the relevant Individual Certificate has been endorsed “*non-resident*” or the relevant securities account has been designated as a “*non-resident*” account, as the case may be.

The Issuer is established and domiciled in South Africa and as such is not required to obtain exchange control approval.

For purposes of this section, **Common Monetary Area** means South Africa, Lesotho, Namibia and Swaziland.

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## GENERAL INFORMATION

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*Capitalised terms used in this section headed “General Information” shall bear the same meanings as those used in the Terms and Conditions, except to the extent that they are separately defined in this section this is clearly inappropriate from the context.*

### Authorisation

All consents, approvals, authorisations or other orders of all regulatory authorities required by the Issuer under the laws of South Africa as at the Programme Date have been given for the update of the Programme and the issue of Notes and for the Issuer to undertake and perform its obligations under the Programme Memorandum and the Notes.

### Listing

The Programme Memorandum has been registered by the JSE on or about 23 November 2018. Notes to be issued under the Programme may be listed on the Interest Rate Market of the JSE or any other Financial Exchange. Unlisted Notes may also be issued under the Programme Memorandum.

### Documents Available For Inspection

So long as this Programme Memorandum is registered with the JSE, copies of the documents incorporated under the section headed “*Documents Incorporated by Reference*” will, when published, be available at the registered office of the Issuer as set out at the end of this Programme Memorandum. This Programme Memorandum, any supplement and/or amendment hereto, the Applicable Pricing Supplements relating to any issue of listed Notes and the published audited annual financial statements of the Issuer will also be available on the Issuer’s website at <http://www.sappi.com>. In addition, this Programme Memorandum, together with any supplement and/or amendment thereto, and the Applicable Pricing Supplements relating to any issue of listed Notes will be filed with the JSE which will publish such documents on its website at <http://www.jse.co.za>.

### Material Change

As at the Programme Date, and after due and careful enquiry, there has been no material change in the financial or trading position of the Issuer and its Subsidiaries since the date of the Issuer’s latest audited financial statements. As at the Programme Date, there has been no involvement by KPMG Inc. in making the aforementioned statement.

### Litigation

Save as disclosed herein, neither the Issuer, nor any of its respective Subsidiaries is or has been involved in any legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) which may have or have had a material effect on the financial position of the Issuer or its Subsidiaries in the previous 12 months.

### Auditors

Deloitte & Touche have acted as the auditors of the financial statements of the Issuer for the financial years ended September 2016, 2015 and 2014 and in respect of those years unmodified audit reports were issued.

KPMG have acted as the auditors of the financial statements of the Issuer for the financial year ended September 2017 and in respect of that year no unmodified audit report was issued.

## **ISSUER**

### **SAPPI SOUTHERN AFRICA LIMITED**

(registration number 1951/003180/06)

108 Oxford Road  
Houghton Estate  
Johannesburg, 2198  
South Africa  
P O Box 31560  
Braamfontein, 2017  
South Africa  
Contact: Mrs S McGinn  
(011) 407-8164

## **ARRANGER**

### **Nedbank Limited,**

**acting through its Corporate and Investment Banking division**

(registration number 1951/000009/06)

135 Rivonia Road  
Sandton, 2196  
South Africa  
P O Box 1144  
Johannesburg, 2000  
South Africa  
Contact: Mr B Stewart  
(011) 294-4481

## **DEALERS**

### **Nedbank Limited,**

**acting through its Corporate and  
Investment Banking division**

(registration number 1951/000009/06)

135 Rivonia Road  
Sandton, 2196  
South Africa  
P O Box 1144  
Johannesburg, 2000  
South Africa  
Contact: Mr B Stewart  
(011) 294-4481

### **Rand Merchant Bank,**

**a division of FirstRand Bank Limited**

(registration number 1929/001225/06)

1 Merchant Place  
Cnr Fredman Drive and Rivonia Road  
Sandton, 2196  
South Africa  
P O Box 786273  
Sandton, 2146  
South Africa  
Contact: Mr N Padayachee  
(011) 282 8000

### **Investec Bank Limited,**

**acting through its Corporate and Institutional Banking division**

(registration number 1969/0047631)

100 Grayston Drive  
Sandton, 2196  
South Africa  
P O Box 785700  
Sandton, 2146  
South Africa  
Contact: Mr L Dirker  
(011) 286-7799



**JSE DEBT SPONSOR, TRANSFER AGENT, CALCULATION AGENT AND ISSUER AGENT**

**Nedbank Limited,**  
**acting through its Corporate and Investment Banking division**

(registration number 1951/000009/06)

135 Rivonia Road  
Sandton, 2196  
South Africa  
P O Box 1144  
Johannesburg, 2000  
South Africa  
Contact: Mr B Stewart  
(011) 294-4481

**PAYING AGENT**

**Nedbank Investor Services,**  
**a division of Nedbank Limited**  
(registration number 1951/000009/06)

Lakeview Campus  
16 Constantia Boulevard  
Constantia Kloof  
Roodeport, 1709  
South Africa  
P O Box 1144  
Johannesburg, 2000  
South Africa  
Contact: Ms A Frankland  
(011) 534 6553

**LEGAL ADVISERS TO THE ISSUER, ARRANGER AND DEALERS**

**Bowman Gilfillan Incorporated**  
(registration number 1998/021409/21)

11 Alice Lane  
Sandhurst  
Sandton, 2196  
Johannesburg  
South Africa  
P O Box 785812  
Sandton, 2146  
South Africa  
Contact: Mr C van Heerden  
(011) 669 9354

**AUDITORS TO THE ISSUER**

**KPMG Incorporated**  
(registration number 1999/21543/21)

85 Empire Road  
Parktown, 2193  
South Africa  
Private Bag X9  
Parkview  
Randburg, 2122  
South Africa  
Contact: Ms S Loonat  
(011) 647 7111